



ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	69,101,880	0	69,101,880	66,422,101
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	0	0	0	0
2.2 Common stocks .....	0	0	0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....	0	0	0	0
3.2 Other than first liens .....	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ .....0 encumbrances) .....	0	0	0	0
4.2 Properties held for the production of income (less \$ .....0 encumbrances) .....	0	0	0	0
4.3 Properties held for sale (less \$ .....0 encumbrances) .....	0	0	0	0
5. Cash (\$ .....2,272,705 , Schedule E - Part 1), cash equivalents (\$ .....1,248,643 , Schedule E - Part 2) and short-term investments (\$ .....174,937,882 , Schedule DA) .....	178,459,230	0	178,459,230	153,717,341
6. Contract loans, (including \$ .....0 premium notes) .....	0	0	0	0
7. Derivatives (Schedule DB) .....	0	0	0	0
8. Other invested assets (Schedule BA) .....	0	0	0	0
9. Receivables for securities .....	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL) .....	0	0	0	0
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	247,561,110	0	247,561,110	220,139,442
13. Title plants less \$ .....0 charged off (for Title insurers only) .....	0	0	0	0
14. Investment income due and accrued .....	810,221	0	810,221	796,414
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	22,344,449	0	22,344,449	13,523,029
15.2 Deferred premiums and agents' balances and installments booked but deferred and not yet due (including \$ .....0 earned but unbilled premiums) .....	0	0	0	0
15.3 Accrued retrospective premiums (\$ .....0 ) and contracts subject to redetermination (\$ .....2,751,344 ) .....	2,767,070	0	2,767,070	9,201
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	433,924	0	433,924	0
16.2 Funds held by or deposited with reinsured companies .....	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	0	0	0	0
17. Amounts receivable relating to uninsured plans .....	301	291	10	4,711,071
18.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0	0
18.2 Net deferred tax asset .....	2,532,989	231,322	2,301,667	2,427,029
19. Guaranty funds receivable or on deposit .....	0	0	0	0
20. Electronic data processing equipment and software .....	0	0	0	0
21. Furniture and equipment, including health care delivery assets (\$ .....0 ) .....	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates .....	261,814	261,814	0	0
24. Health care (\$ .....6,685,261 ) and other amounts receivable .....	9,395,548	2,710,287	6,685,261	9,165,715
25. Aggregate write-ins for other than invested assets .....	42,162	42,162	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	286,149,588	3,245,876	282,903,712	250,771,901
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0	0	0
28. Total (Lines 26 and 27)	286,149,588	3,245,876	282,903,712	250,771,901
DETAILS OF WRITE-INS				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. Prepaid Expenses .....	42,058	42,058	0	0
2502. Miscellaneous Receivables .....	104	104	0	0
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	42,162	42,162	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ 814,759 reinsurance ceded)	132,359,990	119	132,360,109	115,669,507
2. Accrued medical incentive pool and bonus amounts	4,126,720	0	4,126,720	4,322,068
3. Unpaid claims adjustment expenses	1,115,818	0	1,115,818	1,199,880
4. Aggregate health policy reserves, including the liability of \$ 0 for medical loss ratio rebate per the Public Health Service Act	13,504,036	0	13,504,036	1,656,549
5. Aggregate life policy reserves	0	0	0	0
6. Property/casualty unearned premium reserves	0	0	0	0
7. Aggregate health claim reserves	1,331,923	1	1,331,924	1,522,078
8. Premiums received in advance	6,311,242	0	6,311,242	2,280,961
9. General expenses due or accrued	10,353,025	0	10,353,025	8,966,468
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized capital gains (losses))	238,658	0	238,658	4,513,383
10.2 Net deferred tax liability	0	0	0	0
11. Ceded reinsurance premiums payable	146,916	0	146,916	0
12. Amounts withheld or retained for the account of others	0	0	0	0
13. Remittances and items not allocated	0	0	0	0
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)	0	0	0	0
15. Amounts due to parent, subsidiaries and affiliates	4,837,219	0	4,837,219	5,926,756
16. Derivatives	0	0	0	0
17. Payable for securities	0	0	0	0
18. Payable for securities lending	0	0	0	0
19. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers, \$ 0 unauthorized reinsurers and \$ 0 certified reinsurers)	0	0	0	0
20. Reinsurance in unauthorized and certified (\$ 0 ) companies	0	0	0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
22. Liability for amounts held under uninsured plans	12,668,672	0	12,668,672	1,260
23. Aggregate write-ins for other liabilities (including \$ 79,997 current)	79,997	0	79,997	70,194
24. Total liabilities (Lines 1 to 23)	187,074,216	120	187,074,336	146,129,104
25. Aggregate write-ins for special surplus funds	XXX	XXX	21,839,117	16,220,130
26. Common capital stock	XXX	XXX	0	0
27. Preferred capital stock	XXX	XXX	0	0
28. Gross paid in and contributed surplus	XXX	XXX	56,003,392	56,003,392
29. Surplus notes	XXX	XXX	0	0
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	17,986,867	32,419,275
32. Less treasury stock, at cost:				
32.1 0 shares common (value included in Line 26 \$ 0 )	XXX	XXX	0	0
32.2 0 shares preferred (value included in Line 27 \$ 0 )	XXX	XXX	0	0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	95,829,376	104,642,797
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	282,903,712	250,771,901
DETAILS OF WRITE-INS				
2301. Unclaimed Property	79,997	0	79,997	70,194
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	79,997	0	79,997	70,194
2501. Section 9010 ACA Subsequent Fee Year Assessment	XXX	XXX	21,839,117	16,220,130
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	XXX	XXX	21,839,117	16,220,130
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	3,197,861	3,094,925
2. Net premium income ( including \$ .....0 non-health premium income).....	XXX	1,234,563,603	1,090,227,566
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	(7,054,126)	(1,149,146)
4. Fee-for-service (net of \$ .....0 medical expenses).....	XXX	0	0
5. Risk revenue .....	XXX	0	0
6. Aggregate write-ins for other health care related revenues .....	XXX	4,657,042	1,700,737
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	1,232,166,519	1,090,779,157
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....	367	804,372,621	752,114,547
10. Other professional services .....	0	13,653,169	8,479,229
11. Outside referrals .....	0	0	0
12. Emergency room and out-of-area .....	0	0	2,888,511
13. Prescription drugs .....	52	142,344,580	126,414,659
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts .....	0	3,214,351	2,743,776
16. Subtotal (Lines 9 to 15) .....	419	963,584,721	892,640,722
<b>Less:</b>			
17. Net reinsurance recoveries .....	0	4,014,420	2,006,619
18. Total hospital and medical (Lines 16 minus 17) .....	419	959,570,301	890,634,103
19. Non-health claims (net) .....	0	0	0
20. Claims adjustment expenses, including \$ .....22,607,954 cost containment expenses .....	0	46,683,409	43,125,704
21. General administrative expenses .....	0	149,158,637	105,658,285
22. Increase in reserves for life and accident and health contracts (including \$ .....0 increase in reserves for life only) .....	0	0	0
23. Total underwriting deductions (Lines 18 through 22).....	419	1,155,412,347	1,039,418,092
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	76,754,172	51,361,065
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	0	1,954,395	1,707,345
26. Net realized capital gains (losses) less capital gains tax of \$ .....236,086 .....	0	434,359	277,780
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	2,388,754	1,985,125
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ .....0 ) (amount charged off \$ .....0 )] .....	0	0	0
29. Aggregate write-ins for other income or expenses .....	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	79,142,926	53,346,190
31. Federal and foreign income taxes incurred .....	XXX	34,949,572	22,960,320
32. Net income (loss) (Lines 30 minus 31) .....	XXX	44,193,354	30,385,870
<b>DETAILS OF WRITE-INS</b>			
0601. Performance Bonus .....	XXX	4,657,042	1,700,737
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above) .....	XXX	4,657,042	1,700,737
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above) .....	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above) .....	0	0	0
2901. ....			
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above) .....	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	104,642,797	75,965,861
34. Net income or (loss) from Line 32 .....	44,193,354	30,385,870
35. Change in valuation basis of aggregate policy and claim reserves .....	0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ ..... 0 .....	0	0
37. Change in net unrealized foreign exchange capital gain or (loss) .....	0	0
38. Change in net deferred income tax .....	105,960	1,032,665
39. Change in nonadmitted assets .....	1,887,265	(2,741,599)
40. Change in unauthorized and certified reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles.....	0	0
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....	0	0
45. Surplus adjustments:		
45.1 Paid in .....	0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....	0	0
46. Dividends to stockholders .....	(55,000,000)	0
47. Aggregate write-ins for gains or (losses) in surplus .....	0	0
48. Net change in capital and surplus (Lines 34 to 47) .....	(8,813,421)	28,676,936
49. Capital and surplus end of reporting period (Line 33 plus 48)	95,829,376	104,642,797
DETAILS OF WRITE-INS		
4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	0	0

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance .....	1,231,954,872	1,081,472,739
2. Net investment income .....	2,564,506	2,173,139
3. Miscellaneous income .....	4,657,042	1,700,737
4. Total (Lines 1 through 3) .....	1,239,176,420	1,085,346,615
5. Benefit and loss related payments .....	938,810,825	891,085,815
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	177,185,880	156,706,866
8. Dividends paid to policyholders .....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ .....0 tax on capital gains (losses) .....	39,460,383	19,487,038
10. Total (Lines 5 through 9) .....	1,155,457,088	1,067,279,719
11. Net cash from operations (Line 4 minus Line 10) .....	83,719,332	18,066,896
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	21,508,453	44,168,573
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	1,324
12.7 Miscellaneous proceeds .....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	21,508,453	44,169,897
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	24,144,244	60,969,920
13.2 Stocks .....	0	0
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	0	849,608
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	24,144,244	61,819,528
14. Net increase (decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(2,635,791)	(17,649,631)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	0
16.2 Capital and paid in surplus, less treasury stock .....	0	0
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	55,000,000	0
16.6 Other cash provided (applied) .....	(1,341,652)	6,502,223
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(56,341,652)	6,502,223
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	24,741,889	6,919,488
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	153,717,341	146,797,853
19.2 End of year (Line 18 plus Line 19.1) .....	178,459,230	153,717,341

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	17,809,668	0	177,787	17,631,881
2.	Medicare Supplement .....	0	0	0	0
3.	Dental only .....	0	0	0	0
4.	Vision only .....	0	0	0	0
5.	Federal Employees Health Benefits Plan .....	0	0	0	0
6.	Title XVIII - Medicare .....	140,107	0	0	140,107
7.	Title XIX - Medicaid .....	1,218,792,851	0	2,001,237	1,216,791,614
8.	Other health .....	0	0	0	0
9.	Health subtotal (Lines 1 through 8) .....	1,236,742,626	0	2,179,024	1,234,563,602
10.	Life .....	0	0	0	0
11.	Property/casualty .....	0	0	0	0
12.	Totals (Lines 9 to 11)	1,236,742,626	0	2,179,024	1,234,563,602



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	939,130,198	12,782,972	0	0	0	0	5,964,290	920,382,936	0	0
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	3,729,075	0	0	0	0	0	0	3,729,075	0	0
1.4 Net	935,401,123	12,782,972	0	0	0	0	5,964,290	916,653,861	0	0
2. Paid medical incentive pools and bonuses	3,409,699	0	0	0	0	0	102,914	3,306,785	0	0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	133,174,867	2,462,235	0	0	0	0	14,969	130,697,663	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	814,758	64,606	0	0	0	0	0	750,152	0	0
3.4 Net	132,360,109	2,397,629	0	0	0	0	14,969	129,947,511	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	1,331,924	34,472	0	0	0	0	0	1,297,452	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	1,331,924	34,472	0	0	0	0	0	1,297,452	0	0
5. Accrued medical incentive pools and bonuses, current year	4,126,720	0	0	0	0	0	475	4,126,245	0	0
6. Net healthcare receivables (a)	(4,888,301)	120,486	0	0	0	0	(2,548,803)	(2,459,984)	0	0
7. Amounts recoverable from reinsurers December 31, current year	433,924	433,924	0	0	0	0	0	0	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	116,632,844	261,270	0	0	0	0	9,045,168	107,326,406	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	963,337	34,868	0	0	0	0	0	928,469	0	0
8.4 Net	115,669,507	226,402	0	0	0	0	9,045,168	106,397,937	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	1,522,078	1,907	0	0	0	0	176,993	1,343,178	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	1,522,078	1,907	0	0	0	0	176,993	1,343,178	0	0
10. Accrued medical incentive pools and bonuses, prior year	4,322,068	0	0	0	0	0	12,019	4,310,049	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	960,370,368	14,896,016	0	0	0	0	(694,099)	946,168,451	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	4,014,420	463,662	0	0	0	0	0	3,550,758	0	0
12.4 Net	956,355,948	14,432,354	0	0	0	0	(694,099)	942,617,693	0	0
13. Incurred medical incentive pools and bonuses	3,214,351	0	0	0	0	0	91,370	3,122,981	0	0

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	62,043,992	929,001	.0	.0	.0	.0	.0	61,114,991	.0	.0
1.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1.3 Reinsurance ceded .....	375,534	24,549	.0	.0	.0	.0	.0	350,985	.0	.0
1.4 Net .....	61,668,458	904,452	.0	.0	.0	.0	.0	60,764,006	.0	.0
2. Incurred but Unreported:										
2.1 Direct .....	71,052,875	1,533,234	.0	.0	.0	.0	14,969	69,504,672	.0	.0
2.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2.3 Reinsurance ceded .....	439,224	40,057	.0	.0	.0	.0	.0	399,167	.0	.0
2.4 Net .....	70,613,651	1,493,177	.0	.0	.0	.0	14,969	69,105,505	.0	.0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....	78,000	.0	.0	.0	.0	.0	.0	78,000	.0	.0
3.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.4 Net .....	78,000	.0	.0	.0	.0	.0	.0	78,000	.0	.0
4. TOTALS:										
4.1 Direct .....	133,174,867	2,462,235	.0	.0	.0	.0	14,969	130,697,663	.0	.0
4.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3 Reinsurance ceded .....	814,758	64,606	.0	.0	.0	.0	.0	750,152	.0	.0
4.4 Net .....	132,360,109	2,397,629	0	0	0	0	14,969	129,947,511	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical) .....	469,143	11,879,906	4,088	2,428,012	473,231	228,309
2. Medicare Supplement .....	0	0	0	0	0	0
3. Dental Only .....	0	0	0	0	0	0
4. Vision Only .....	0	0	0	0	0	0
5. Federal Employees Health Benefits Plan .....	0	0	0	0	0	0
6. Title XVIII - Medicare .....	5,964,290	0	14,969	0	5,979,259	9,222,161
7. Title XIX - Medicaid .....	91,606,084	825,047,778	661,310	130,583,653	92,267,394	107,741,114
8. Other health .....	0	0	0	0	0	0
9. Health subtotal (Lines 1 to 8) .....	98,039,517	836,927,684	680,367	133,011,665	98,719,884	117,191,584
10. Healthcare receivables (a) .....	1,283,976	7,731,690	0	379,881	1,283,976	14,283,848
11. Other non-health .....	0	0	0	0	0	0
12. Medical incentive pools and bonus amounts .....	3,347,039	62,660	277,999	3,848,721	3,625,038	4,322,069
13. Totals (Lines 9 - 10 + 11 + 12)	100,102,580	829,258,654	958,366	136,480,505	101,060,946	107,229,805

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior .....	0	0	0	0	0
2.	2011 .....	591	701	701	702	702
3.	2012 .....	XXX	816	857	858	858
4.	2013 .....	XXX	XXX	977	1,293	1,300
5.	2014 .....	XXX	XXX	XXX	3,224	3,686
6.	2015 .....	XXX	XXX	XXX	XXX	12,314

Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior .....	0	0	0	0	0
2.	2011 .....	636	804	701	702	702
3.	2012 .....	XXX	945	963	858	858
4.	2013 .....	XXX	XXX	1,051	1,399	1,300
5.	2014 .....	XXX	XXX	XXX	3,345	3,690
6.	2015 .....	XXX	XXX	XXX	XXX	14,742

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2011 .....	712	702	0	0.0	702	98.6	0	0	702	98.6
2. 2012 .....	937	858	61	7.1	919	98.1	0	0	919	98.1
3. 2013 .....	2,135	1,300	438	33.7	1,738	81.4	0	0	1,738	81.4
4. 2014 .....	7,302	3,686	976	26.5	4,662	63.8	4	0	4,666	63.9
5. 2015 .....	17,663	12,314	(15)	(0.1)	12,299	69.6	2,428	20	14,747	83.5

## Section A - Paid Health Claims - Medicare Supplement

# NONE

# NONE

# NONE

**NONE**

**NONE**

### **Section A - Paid Health Claims - Dental Only**

# NONE

## Year in Which Losses Were Incurred

NONE

Claim Adjustment (Col. 3)  
Expense Payment (Per Cent) (Col. 2 + 3)

**NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Vision Only

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior	NONE				
2.	2011					
3.	2012		XXX			
4.	2013		XXX	XXX		
5.	2014		XXX	XXX	XXX	
6.	2015		XXX	XXX	XXX	XXX

Section B - Incurred Health Claims - Vision Only

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior	NONE				
2.	2011					
3.	2012		XXX			
4.	2013		XXX	XXX		
5.	2014		XXX	XXX	XXX	
6.	2015		XXX	XXX	XXX	XXX

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Vision Only

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Incurred	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2011			NONE							
2. 2012										
3. 2013										
4. 2014										
5. 2015										

## PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

Section A - Paid Health Claims - Federal Employees Health Benefits Plan Premium

# NONE

NONE

NONE

**NONE**

**NONE**



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior .....	2,803	2,803	2,803	2,802	2,802
2.	2011 .....	21,122	26,113	26,111	26,121	26,121
3.	2012 .....	XXX	37,153	43,233	43,377	43,378
4.	2013 .....	XXX	XXX	47,063	54,754	54,848
5.	2014 .....	XXX	XXX	XXX	61,091	67,063
6.	2015 .....	XXX	XXX	XXX	XXX	0

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior .....	2,819	2,803	2,803	2,802	2,802
2.	2011 .....	26,653	26,271	26,111	26,121	26,121
3.	2012 .....	XXX	44,596	43,380	43,377	43,378
4.	2013 .....	XXX	XXX	56,738	54,934	54,848
5.	2014 .....	XXX	XXX	XXX	70,145	67,078
6.	2015 .....	XXX	XXX	XXX	XXX	0

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2011 .....	33,745	26,121	17	0.1	26,138	77.5	0	0	26,138	77.5
2. 2012 .....	50,153	43,378	305	0.7	43,683	87.1	0	0	43,683	87.1
3. 2013 .....	62,182	54,848	3,869	7.1	58,717	94.4	0	0	58,717	94.4
4. 2014 .....	76,916	67,063	1,228	1.8	68,291	88.8	15	0	68,306	88.8
5. 2015 .....	140	0	73	0.0	73	52.1	0	0	73	52.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Title XIX

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior .....	67,816	67,816	67,816	67,707	67,670
2.	2011 .....	638,514	706,300	706,300	706,387	706,387
3.	2012 .....	XXX	656,999	740,568	742,183	742,314
4.	2013 .....	XXX	XXX	666,090	747,628	750,290
5.	2014 .....	XXX	XXX	XXX	735,480	827,573
6.	2015 .....	XXX	XXX	XXX	XXX	825,110

Section B - Incurred Health Claims - Title XIX

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior .....	70,005	67,816	67,816	67,707	67,670
2.	2011 .....	726,051	714,879	706,299	706,387	706,387
3.	2012 .....	XXX	737,077	751,086	742,183	742,314
4.	2013 .....	XXX	XXX	761,739	752,202	750,290
5.	2014 .....	XXX	XXX	XXX	842,957	828,512
6.	2015 .....	XXX	XXX	XXX	XXX	959,543

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2011 .....	858,084	706,387	15,443	2.2	721,830	84.1	0	0	721,830	84.1
2. 2012 .....	824,762	742,314	27,399	3.7	769,713	93.3	0	0	769,713	93.3
3. 2013 .....	833,434	750,290	34,814	4.6	785,104	94.2	0	0	785,104	94.2
4. 2014 .....	1,004,861	827,573	41,291	5.0	868,864	86.5	939	8	869,811	86.6
5. 2015 .....	1,216,761	825,110	40,012	4.8	865,122	71.1	134,432	1,088	1,000,642	82.2

## Section A - Paid Health Claims - Other

# NONE

Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year	
--	--

# NONE

**NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior .....	70,619	70,619	70,619	70,509	70,472
2.	2011 .....	660,227	733,114	733,112	733,210	733,210
3.	2012 .....	XXX	694,968	784,658	786,418	786,550
4.	2013 .....	XXX	XXX	714,130	803,675	806,438
5.	2014 .....	XXX	XXX	XXX	799,795	898,322
6.	2015 .....	XXX	XXX	XXX	XXX	837,424

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior .....	72,824	70,619	70,619	70,509	70,472
2.	2011 .....	753,340	741,954	733,111	733,210	733,210
3.	2012 .....	XXX	782,618	795,429	786,418	786,550
4.	2013 .....	XXX	XXX	819,528	808,535	806,438
5.	2014 .....	XXX	XXX	XXX	916,447	899,280
6.	2015 .....	XXX	XXX	XXX	XXX	974,285

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2011 .....	892,541	733,210	15,460	2.1	748,670	83.9	0	0	748,670	83.9
2. 2012 .....	875,852	786,550	27,765	3.5	814,315	93.0	0	0	814,315	93.0
3. 2013 .....	897,751	806,438	39,121	4.9	845,559	94.2	0	0	845,559	94.2
4. 2014 .....	1,089,079	898,322	43,495	4.8	941,817	86.5	958	8	942,783	86.6
5. 2015 .....	1,234,564	837,424	40,070	4.8	877,494	71.1	136,860	1,108	1,015,462	82.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	0	0	0	0	0	0	0	0	0
2. Additional policy reserves (a) .....	0	0	0	0	0	0	0	0	0
3. Reserve for future contingent benefits .....	0	0	0	0	0	0	0	0	0
4. Reserve for rate credits or experience rating refunds (including \$ .....0 ) for investment income .....	8,717,201	101,402	0	0	0	0	0	8,615,799	0
5. Aggregate write-ins for other policy reserves .....	4,786,835	4,786,808	0	0	0	0	27	0	0
6. Totals (gross) .....	13,504,036	4,888,210	0	0	0	0	27	8,615,799	0
7. Reinsurance ceded .....	0	0	0	0	0	0	0	0	0
8. Totals (Net)(Page 3, Line 4) .....	13,504,036	4,888,210	0	0	0	0	27	8,615,799	0
9. Present value of amounts not yet due on claims .....	0	0	0	0	0	0	0	0	0
10. Reserve for future contingent benefits .....	1,331,924	34,472	0	0	0	0	0	1,297,452	0
11. Aggregate write-ins for other claim reserves .....	0	0	0	0	0	0	0	0	0
12. Totals (gross) .....	1,331,924	34,472	0	0	0	0	0	1,297,452	0
13. Reinsurance ceded .....	0	0	0	0	0	0	0	0	0
14. Totals (Net)(Page 3, Line 7) .....	1,331,924	34,472	0	0	0	0	0	1,297,452	0
DETAILS OF WRITE-INS									
0501. Section 1343 ACA Risk Adjustment Payable .....	4,786,808	4,786,808	0	0	0	0	0	0	0
0502. Part D RAF Payable .....	27	0	0	0	0	0	27	0	0
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	4,786,835	4,786,808	0	0	0	0	27	0	0
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above) .....	0	0	0	0	0	0	0	0	0

(a) Includes \$ .....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ .....0 for occupancy of own building) .....	671,205	729,683	1,204,063	0	2,604,951
2. Salary, wages and other benefits .....	11,928,845	12,968,135	21,398,947	0	46,295,927
3. Commissions (less \$ .....0 ceded plus \$ .....0 assumed) .....	0	0	698,556	0	698,556
4. Legal fees and expenses .....	125,643	136,589	225,388	0	487,620
5. Certifications and accreditation fees .....	0	0	0	0	0
6. Auditing, actuarial and other consulting services .....	1,470,404	1,598,511	2,637,731	0	5,706,646
7. Traveling expenses .....	412,585	448,531	740,129	0	1,601,245
8. Marketing and advertising .....	832,715	905,264	1,493,792	0	3,231,771
9. Postage, express and telephone .....	762,788	829,245	1,368,352	0	2,960,385
10. Printing and office supplies .....	241,286	262,308	432,839	0	936,433
11. Occupancy, depreciation and amortization .....	284,944	309,770	511,156	0	1,105,870
12. Equipment .....	58,520	63,619	104,978	0	227,117
13. Cost or depreciation of EDP equipment and software .....	1,433,167	1,558,030	2,570,933	0	5,562,130
14. Outsourced services including EDP, claims, and other services .....	1,686,862	2,105,451	3,317,168	0	7,109,481
15. Boards, bureaus and association fees .....	20,320	22,090	116,917	0	159,327
16. Insurance, except on real estate .....	135,593	147,406	243,238	0	526,237
17. Collection and bank service charges .....	80,337	87,336	187,441	0	355,114
18. Group service and administration fees .....	154,212	167,648	276,639	0	598,499
19. Reimbursements by uninsured plans .....	0	0	0	0	0
20. Reimbursements from fiscal intermediaries .....	0	0	0	0	0
21. Real estate expenses .....	0	0	0	0	0
22. Real estate taxes .....	44,367	39,495	94,728	0	178,590
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....	0	0	6,454,333	0	6,454,333
23.2 State premium taxes .....	0	0	0	0	0
23.3 Regulatory authority licenses and fees .....	0	0	100,846,144	0	100,846,144
23.4 Payroll taxes .....	688,568	612,964	1,470,172	0	2,771,704
23.5 Other (excluding federal income and real estate taxes) .....	0	0	0	0	0
24. Investment expenses not included elsewhere .....	0	0	0	90,524	90,524
25. Aggregate write-ins for expenses .....	1,575,593	1,083,380	2,764,995	0	5,423,968
26. Total expenses incurred (Lines 1 to 25) .....	22,607,954	24,075,455	149,158,639	90,524	(a) .....195,932,572
27. Less expenses unpaid December 31, current year .....	540,371	575,447	10,329,801	23,224	11,468,843
28. Add expenses unpaid December 31, prior year .....	584,572	615,308	8,940,705	25,763	10,166,348
29. Amounts receivable relating to uninsured plans, prior year .....	0	0	4,711,071	0	4,711,071
30. Amounts receivable relating to uninsured plans, current year .....	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	22,652,155	24,115,316	143,058,472	93,063	189,919,006
DETAILS OF WRITE-INS					
2501. Information Technology .....	156,360	169,982	280,491	0	606,833
2502. Interest .....	5,163	5,613	646,952	0	657,728
2503. Managed Care & Network Access .....	587,166	8,837	14,582	0	610,585
2598. Summary of remaining write-ins for Line 25 from overflow page .....	826,904	898,948	1,822,970	0	3,548,822
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	1,575,593	1,083,380	2,764,995	0	5,423,968

(a) Includes management fees of \$ .....71,435,689 to affiliates and \$ .....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds .....	(a) .....59,417	.....68,966
1.1	Bonds exempt from U.S. tax .....	(a) .....0	.....0
1.2	Other bonds (unaffiliated) .....	(a) .....1,550,994	.....1,526,236
1.3	Bonds of affiliates .....	(a) .....0	.....0
2.1	Preferred stocks (unaffiliated) .....	(b) .....0	.....0
2.11	Preferred stocks of affiliates .....	(b) .....0	.....0
2.2	Common stocks (unaffiliated) .....	.....0	.....0
2.21	Common stocks of affiliates .....	.....0	.....0
3.	Mortgage loans .....	(c) .....0	.....0
4.	Real estate .....	(d) .....0	.....0
5	Contract Loans .....	.....0	.....0
6	Cash, cash equivalents and short-term investments .....	(e) .....44,693	.....62,839
7	Derivative instruments .....	(f) .....391,280	.....386,882
8.	Other invested assets .....	.....0	.....0
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income .....	2,046,384	2,044,923
11.	Investment expenses .....		(g) .....90,524
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g) .....0
13.	Interest expense .....		(h) .....4
14.	Depreciation on real estate and other invested assets .....		(i) .....0
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....90,528
17.	Net investment income (Line 10 minus Line 16) .....		1,954,395
DETAILS OF WRITE-INS			
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....	0	0
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) .....		0

- (a) Includes \$ .....10,121 accrual of discount less \$ .....636,578 amortization of premium and less \$ .....26,409 paid for accrued interest on purchases.
- (b) Includes \$ .....0 accrual of discount less \$ .....0 amortization of premium and less \$ .....0 paid for accrued dividends on purchases.
- (c) Includes \$ .....0 accrual of discount less \$ .....0 amortization of premium and less \$ .....0 paid for accrued interest on purchases.
- (d) Includes \$ .....0 for company's occupancy of its own buildings; and excludes \$ .....0 interest on encumbrances.
- (e) Includes \$ .....18,797 accrual of discount less \$ .....733,715 amortization of premium and less \$ .....164,200 paid for accrued interest on purchases.
- (f) Includes \$ .....0 accrual of discount less \$ .....0 amortization of premium.
- (g) Includes \$. .....90,524 investment expenses and \$ .....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ .....0 interest on surplus notes and \$ .....0 interest on capital notes.
- (i) Includes \$ .....0 depreciation on real estate and \$ .....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	29,068	0	29,068	0	0
1.1	Bonds exempt from U.S. tax .....	0	0	0	0	0
1.2	Other bonds (unaffiliated) .....	641,377	0	641,377	0	0
1.3	Bonds of affiliates .....	0	0	0	0	0
2.1	Preferred stocks (unaffiliated) .....	0	0	0	0	0
2.11	Preferred stocks of affiliates .....	0	0	0	0	0
2.2	Common stocks (unaffiliated) .....	0	0	0	0	0
2.21	Common stocks of affiliates .....	0	0	0	0	0
3.	Mortgage loans .....	0	0	0	0	0
4.	Real estate .....	0	0	0	0	0
5.	Contract loans .....	0	0	0	0	0
6.	Cash, cash equivalents and short-term investments .....	0	0	0	0	0
7.	Derivative instruments .....	0	0	0	0	0
8.	Other invested assets .....	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses) .....	0	0	0	0	0
10.	Total capital gains (losses) .....	670,445	0	670,445	0	0
DETAILS OF WRITE-INS						
0901.	.....					
0902.	.....					
0903.	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....	0	0	0	0	0

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	0	0	0
2.2 Common stocks .....	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	0	0	0
3.2 Other than first liens.....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale .....	0	0	0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA) .....	0	0	0
6. Contract loans .....	0	0	0
7. Derivatives (Schedule DB) .....	0	0	0
8. Other invested assets (Schedule BA) .....	0	0	0
9. Receivables for securities .....	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL) .....	0	0	0
11. Aggregate write-ins for invested assets .....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	0	0	0
13. Title plants (for Title insurers only) .....	0	0	0
14. Investment income due and accrued .....	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	0	0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....	0	0	0
15.3 Accrued retrospective premiums and contracts subject to redetermination .....	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....	0	0	0
16.2 Funds held by or deposited with reinsured companies .....	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	0	0	0
17. Amounts receivable relating to uninsured plans .....	291	0	(291)
18.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0
18.2 Net deferred tax asset .....	231,322	0	(231,322)
19. Guaranty funds receivable or on deposit .....	0	0	0
20. Electronic data processing equipment and software .....	0	0	0
21. Furniture and equipment, including health care delivery assets .....	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0
23. Receivable from parent, subsidiaries and affiliates .....	261,814	0	(261,814)
24. Health care and other amounts receivable .....	2,710,287	5,118,133	2,407,846
25. Aggregate write-ins for other than invested assets .....	42,162	15,008	(27,154)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	3,245,876	5,133,141	1,887,265
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0	0
28. Total (Lines 26 and 27) .....	3,245,876	5,133,141	1,887,265
DETAILS OF WRITE-INS			
1101. ....			
1102. ....			
1103. ....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) .....	0	0	0
2501. Prepaid Expenses .....	42,058	15,008	(27,050)
2502. Miscellaneous Receivables .....	104	0	(104)
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	42,162	15,008	(27,154)



EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....	260,167	269,443	275,264	260,641	260,553	3,197,861
2. Provider Service Organizations .....	0	0	0	0	0	0
3. Preferred Provider Organizations .....	0	0	0	0	0	0
4. Point of Service .....	0	0	0	0	0	0
5. Indemnity Only .....	0	0	0	0	0	0
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	260,167	269,443	275,264	260,641	260,553	3,197,861
DETAILS OF WRITE-INS						
0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

**UNITEDHEALTHCARE COMMUNITY PLAN, INC.**

**NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN**

**Organization and Operation**

UnitedHealthcare Community Plan, Inc. (the "Company"), licensed as a health maintenance organization ("HMO"), offers its enrollees a variety of managed care programs and products through contractual arrangements with health care providers. The Company is a wholly owned subsidiary of AmeriChoice corporation ("AmeriChoice"). AmeriChoice is a wholly owned subsidiary of UnitedHealth Group Incorporated ("UnitedHealth Group"). UnitedHealth Group is a publicly held company trading on the New York Stock Exchange.

The Company was incorporated and operations commenced on October 11, 1994. The Company is certified as an HMO by the Michigan Department of Insurance and Financial Services ("the Department"). The Company has entered into contracts with physicians, hospitals, and other health care provider organizations to deliver health care services for all enrollees.

The Company serves as a plan sponsor offering Medicare Advantage and Medicare Part D prescription drug insurance coverage ("Medicare Part D program") under a contract with the Centers for Medicare and Medicaid Services ("CMS"). Under the Medicare Part D program, there are seven separate elements of payment received by the Company either during the year or at settlement in the subsequent year. These payment elements are CMS premium, member premium, CMS low-income premium subsidy, CMS catastrophic reinsurance subsidy, CMS low-income member cost-sharing subsidy, CMS risk share, and the CMS coverage gap discount program ("CGDP"). Each component of the Medicare Part D program is further defined throughout Note 1.

Effective January 1, 2015, the Company participates in the individual exchange business in Michigan.

The Company has a contract with the State of Michigan, Department of Community Health ("DCH"), to provide health care services to Medicaid and dual-eligible Medicare beneficiaries in Michigan. The Company also insures individuals under 21 with complex chronic conditions under the Childrens' Special Health Care Services as part of the Medicaid title. Effective January 1, 2014, this contract has been expanded to include adult beneficiaries whose income does not exceed 138% of the federal poverty level ("Expansion") as defined under of the Patient Protection and Affordable Care Act ("ACA"). The current contract is effective through September 30, 2016, and is subject to annual renewal provisions thereafter.

The Company also has a contract with the DCH to provide health care services to MICHild eligible beneficiaries. MICHild is a health coverage and dental program for low-income or uninsured children in Michigan. The current contract is effective through September 30, 2016, and is subject to renewal provisions as outlined in the contract.

Effective January 1, 2015, the Company discontinued the Medicare contract in Michigan. Net premium income and membership represented 7% and 2%, respectively in 2014.

**A. Accounting Practices**

The statutory basis financial statements of the Company are presented on the basis of accounting practices prescribed and permitted by the Department.

The Department recognizes only statutory accounting practices, prescribed and permitted by the State of Michigan, for determining and reporting the financial condition and results of operations of an HMO, for determining its solvency under Michigan Insurance Law. The state prescribes the use of the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP") in effect for the accounting periods covered in the statutory basis financial statements. The State of Michigan requires that maternity care receivables are reported as health care receivable, and that non-financing intercompany transactions be reclassified from amounts due to parent, subsidiaries and affiliates to the respective operating line items depending upon the type of transaction.

No significant differences exist between the practices prescribed and permitted by the State of Michigan and those prescribed and permitted by the NAIC SAP which materially affect the statutory basis net income and capital and surplus, as illustrated in the table below:

		State of Domicile	2015	2014
<b>Net Income</b>				
(1)	Company state basis	Michigan	\$ 44,193,354	\$ 30,385,870
(2)	State prescribed practices that increase/(decrease) NAIC SAP: Not Applicable	Michigan	-	-
(3)	State permitted practices that increase/(decrease) NAIC SAP: Not Applicable	Michigan	-	-
(4)	NAIC SAP (1 - 2 - 3 = 4)	Michigan	\$ 44,193,354	\$ 30,385,870
<b>Capital and Surplus</b>				
(5)	Company state basis	Michigan	\$ 95,829,376	\$ 104,642,797
(6)	State prescribed practices that increase/(decrease) NAIC SAP: Not Applicable	Michigan	-	-
(7)	State permitted practices that increase/(decrease) NAIC SAP: Not Applicable	Michigan	-	-
(8)	NAIC SAP (5 - 6 - 7 = 8)	Michigan	\$ 95,829,376	\$ 104,642,797

**B. Use of Estimates in the Preparation of the Statutory Basis Financial Statements**

The preparation of these statutory basis financial statements in conformity with the NAIC Annual Statement Instructions and the NAIC SAP include certain amounts that are based on the Company’s estimates and judgments. These estimates require the Company to apply complex assumptions and judgments, often because the Company must make estimates about the effects of matters that are inherently uncertain and will change in subsequent periods. The most significant estimates relate to hospital and medical benefits, claims unpaid, aggregate health policy reserves and aggregate health claim reserves (“aggregate health reserves”), and risk adjustment estimates. The Company adjusts these estimates each period as more current information becomes available. The impact of any changes in estimates is included in the determination of net income in the period in which the estimate is adjusted.

**C. Accounting Policy**

**Basis of Presentation** — The Company prepares its statutory basis financial statements on the basis of accounting practices prescribed and permitted by the Department. These statutory practices differ from accounting principles generally accepted in the United States of America (“GAAP”).

Accounting policy disclosures that are required by the NAIC Annual Statement instructions are as follows:

- (1–2) Bonds and short-term investments are stated at amortized cost if they meet NAIC designation of one or two and stated at the lower of amortized cost or fair value if they meet an NAIC designation of three or higher. Amortization of bond premium or accretion of discount is calculated using the constant-yield interest method. Bonds and short-term investments are valued and reported using market prices published by the Securities Valuation Office of the NAIC (“SVO”) in accordance with the NAIC Valuations of Securities manual prepared by the SVO or an external pricing service;
- (3–4) The Company holds no common or preferred stock;
- (5) The Company holds no mortgage loans on real estate;
- (6) U.S. government and agency securities and corporate debt securities include loan-backed securities (mortgage-backed securities and asset-backed securities), which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the amortized cost of loan-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors. The Company’s investment policy limits investments in nonagency residential mortgage-backed securities, including home equity and sub-prime mortgages, to 10% of total cash and invested assets. Total combined investments in mortgage-backed securities or asset-backed securities cannot exceed more than 30% of total cash and invested assets;
- (7) The Company holds no investments in subsidiaries, controlled, or affiliated entities;
- (8) The Company has no investment interests with respect to joint ventures, partnerships, or limited liability companies;

- (9) The Company holds no derivatives;
- (10) Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, claims adjustment expenses (“CAE”), direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts, and are recorded as aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Indirect administration costs arise from activities that are not specifically identifiable to a specific group of existing contracts, and therefore, those costs are fully allocated among the various contract groupings. The allocation of indirect administration costs to each contract grouping is made proportionately to the expected margins remaining in the premiums after future health care expenses, CAE, and direct administration costs are considered. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected as an increase in reserves for life and accident and health contracts in the statutory basis statements of operations in the period in which the change in estimate is identified. The Company anticipates investment income as a factor in the premium deficiency calculation (see Note 30);
- (11) CAE are those costs expected to be incurred in connection with the adjustment and recording of accident and health claims. Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to its affiliate, United HealthCare Services, Inc. (“UHS”), in exchange for administrative and management services. A detailed review of the administrative expenses of the Company and UHS is performed to determine the allocation between claims adjustment expenses and general administrative expenses to be reported in the statutory basis statements of operations. It is the responsibility of UHS to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid claims adjustment expenses associated with incurred but unpaid claims, which is included in unpaid claims adjustment expenses in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Management believes the amount of the liability for unpaid claims adjustment expenses as of December 31, 2015 is adequate to cover the Company’s cost for the adjustment and recording of unpaid claims; however, actual expenses may differ from those established estimates. Adjustments to the estimates for unpaid claims adjustment expenses are reflected in operating results in the period in which the change in estimate is identified;
- (12) The Company does not carry any fixed assets on the statutory basis financial statements;
- (13) Health care receivable consists of pharmacy rebates receivable estimated based on the most currently available data from the Company’s claims processing systems and from data provided by the Company’s affiliated pharmaceutical benefit manager, OptumRx, Inc. (“OptumRx”). Health care receivable also includes a receivable for maternity case receivables due from the DCH per guidance from State of Michigan and claim overpayments that have been invoiced and are recoverable in the period. Health care receivable are considered nonadmitted assets for statutory purposes if they do not meet admissibility requirements. Accordingly, the Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 28).

The Company has also deemed the following to be significant accounting policies and/or differences between statutory practices and GAAP:

## **ASSETS**

### ***Cash and Invested Assets***

- Bonds include U.S. government and agency securities, state and agency municipal securities, city and county municipal securities, and corporate debt with a maturity of greater than one year at the time of purchase;
- Certain debt investments categorized as available-for-sale or held-to-maturity under GAAP are presented at the lower of amortized cost or fair value in accordance with the NAIC designations in the statutory basis financial statements, whereas under GAAP, these investments are shown at fair value or amortized cost, respectively;
- Cash (overdrafts), cash equivalents, and short-term investments in the statutory basis financial statements represent cash balances and investments with original maturities of one year or less from the time of acquisition, whereas under GAAP, the corresponding caption of cash, cash equivalents, and short-term investments includes cash balances and investments that will mature in one year or less from the balance sheet date;
- Cash represents cash held by the Company in disbursement accounts and certificates of deposit with a maturity date of less than one year from acquisition. Claims and other

payments are made from the disbursement accounts daily. Cash overdrafts are a result of timing differences in funding disbursement accounts for claims payments;

- Outstanding checks are required to be netted against cash balances or presented as cash overdrafts if in excess of cash balances in the statutory basis statements of admitted assets, liabilities, and capital and surplus as opposed to being presented as other liabilities under GAAP;
- Cash equivalents represent corporate debt securities. Cash equivalents have original maturity dates of three months or less from the date of acquisition and are reported at cost or amortized cost depending on the nature of the underlying security, which approximates fair value;
- Short-term investments represent U.S government and agency securities, corporate debt securities, and money-market funds, with a maturity of greater than three months but less than one year at the time of purchase;
- Realized capital gains and losses on sales of investments are calculated based upon specific identification of the investments sold. These gains and losses are reported as net realized capital gains less capital gains tax in the statutory basis statements of operations;
- The Company continually monitors the difference between amortized cost and estimated fair value of its investments. If any of the Company's investments experience a decline in value that the Company has determined is other-than-temporary, or if the Company has determined it will sell a security that is in an impaired status, the Company will record a realized loss in net realized capital gains less capital gains tax in the statutory basis statements of operations. The new cost basis is not changed for subsequent recoveries in fair value. The prospective adjustment method is utilized for loan-backed securities for periods subsequent to the loss recognition. The Company has not recorded any other-than-temporary impairments ("OTTI") for the years ended December 31, 2015 and 2014;
- The statutory basis statements of cash flows reconcile cash (overdrafts), cash equivalents, and short-term investments with original maturities of one year or less from the time of acquisition; whereas under GAAP, the statements of cash flows reconcile the corresponding captions of cash and cash equivalents with maturities of three months or less. Short-term investments with a final maturity of one year or less from the balance sheet date are not included in the reconciliation of GAAP cash flows. The statutory basis statements of cash flow are prepared in accordance with the NAIC Annual Statement Instructions.

#### **Other Assets**

- **Investment Income Due and Accrued** — Investment income earned and due as of the reporting date, in addition to investment income earned but not paid or collected until subsequent periods, is reported as investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company evaluates the collectability of the amounts due and amounts determined to be uncollectible are written off in the period in which the determination is made.
- **Premiums and Considerations** — The Company reports uncollected premium balances from its insured members as premiums and considerations in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Uncollected premium balances that are over 90 days past due, with the exception of amounts due from government insured plans, are considered nonadmitted assets. In addition to those balances, current balances are also considered nonadmitted if the corresponding balance greater than 90 days past due is deemed more than inconsequential. Premiums and considerations also includes the following: a) CMS risk corridor receivables for which adjustments are based on whether the ultimate per member per month ("PMPM") benefit costs of any Medicare Part D program plan varies more than 5% above the level estimated in the original bid submitted by the Company and approved by CMS; and b) CMS risk adjustment receivables. The risk adjustment model apportions premiums paid to all health plans according to the health severity and certain demographic factors of its enrollees. The CMS risk adjustment model pays more for members whose medical history indicates they have certain medical conditions. Under this risk adjustment methodology, CMS calculates the risk-adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient, and physician treatment settings. The Company and health care providers collect, capture, and submit the necessary and available diagnosis data to CMS within prescribed deadlines. The Company estimates risk adjustment revenues based upon the diagnosis data submitted and expected to be submitted to CMS. The Company recognizes such changes when the amounts become determinable and supportable and collectability is reasonably assured. Premium adjustments for the CMS risk corridor programs are accounted for as premium adjustments subject to retrospectively rated features (see Note 24). Premium adjustments for the CMS risk adjustment programs are accounted for as premium adjustments subject to redetermination (see Note 24).

- Amounts Receivable Relating to Uninsured Plans** — Receivables for amounts held under uninsured plans represents the costs incurred in excess of the cost reimbursement under the Medicare Part D program for the catastrophic reinsurance subsidy and the low-income member cost-sharing subsidy for the individual members. The Company is fully reimbursed by CMS for costs incurred for these contract elements, and accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are received monthly and are not reflected as net premium income, but rather are accounted for as deposits. If the Company incurs costs in excess of these subsidies, a corresponding receivable is recorded in amounts receivable relating to uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Related cash flows are presented within operating expenses paid within cash provided by operations in the statutory basis statements of cash flows. The ACA mandates consumer discounts of 50% on brand name prescription drugs for Part D plan participants in the CGDP. These discounts are pre-funded for the individual members by CMS, and ultimately reimbursed by pharmaceutical manufacturers. If the Company incurs costs in excess of the pre-funded amount, a corresponding receivable is recorded in amounts receivable relating to uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Related cash flows are presented within operating expenses paid within cash provided by operations in the statutory basis statements of cash flows. For employer group members, the cost reimbursement under the Medicare Part D program for the catastrophic reinsurance subsidy and the low-income member cost-sharing subsidy and the CMS CGDP are only received at settlement which is in the subsequent year. The Company solely administers the application of these funds and has no insurance risk.
- Net Deferred Tax Asset** — NAIC SAP provides for an amount to be recorded for deferred taxes on temporary differences between the financial reporting and tax bases of assets, subject to a valuation allowance and admissibility limitations on deferred tax assets (see Note 9). In addition, under NAIC SAP, the change in deferred tax assets is recorded directly to unassigned surplus in the statutory basis financial statements, whereas under GAAP, the change in deferred tax assets is recorded as a component of the income tax provision within the income statement and is based on the ultimate recoverability of the deferred tax assets. Based on the admissibility criteria under NAIC SAP, any deferred tax assets determined to be nonadmitted are charged directly to surplus and excluded from the statutory basis financial statements, whereas under GAAP, such assets are included in the balance sheet.
- Receivables from Parent, Subsidiaries, and Affiliates, Net** — In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts due as receivables from parent, subsidiaries, and affiliates, net, in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

## **LIABILITIES**

- Claims Unpaid and Aggregate Health Reserves** — Claims unpaid and aggregate health reserves include claims processed but not yet paid, estimates for claims received but not yet processed, estimates for the costs of health care services enrollees have received but for which claims have not yet been submitted, and payments and liabilities for physician, hospital, and other medical costs disputes.

The estimates for incurred but not yet reported claims are developed using an actuarial process that is consistently applied, centrally controlled, and automated. The actuarial models consider factors such as historical submission and payment data, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates, and other relevant factors. The Company estimates such liabilities for physician, hospital, and other medical cost disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. These estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during 2015 and 2014. Management believes the amount of claims unpaid and aggregate health reserves is a best estimate of the Company's liability for unpaid claims and aggregate health reserves as of December 31, 2015; however, actual payments may differ from those established estimates.

The reserves ceded to reinsurers for claims unpaid have been reported as reductions of the related reserves rather than as assets, which would be required under GAAP.

The Company contracts with hospitals, physicians, and other providers of health care under capitated or discounted fee for service arrangements, including a hospital per diem to provide medical care services to enrollees. Some of these contracts are with related parties (see Note 10). Capitated providers are at risk for the cost of medical care services provided to the Company's enrollees; however, the Company is ultimately responsible for

the provision of services to its enrollees should the capitated provider be unable to provide the contracted services.

- **Incentive Pool** — The Company has agreements with certain independent physicians and physician network organizations that provide for the establishment of a fund into which the Company places monthly premiums payable for members assigned to the physician. The Company manages the disbursement of funds from this account as well as reviews the utilization of nonprimary care medical services of members assigned to the physicians. Any surpluses in the fund are shared by the Company and the physician based upon predetermined risk-sharing percentage and the liability is included in accrued medical incentive pool and bonus amounts in the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- **Reserve for Experience Rated Refunds** — The Company establishes a liability, net of ceded reinsurance, for estimated premium refunds on experience rated contracts based on actuarial methods and assumptions and minimum loss ratio requirements (See Note 24). The liability also includes the estimated rebates payable on the comprehensive commercial health, Medicaid and effective for 2014 and subsequent periods, the Medicare products, if the medical loss ratios on fully insured products, as calculated under the definitions of the ACA (see Note 14) and implementing regulations, fall below certain targets. The Company is required to rebate the ratable portions of the premiums annually. Estimated accrued retrospective premiums due from the Company are recorded in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- **Medical Risk Corridor — Medicare Part D** — The Company has established a payable for Medicare risk adjustment factor estimates according to the health severity and certain demographic factors of its enrollees which is included in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- **Section 1342 ACA Risk Corridor Liability** — Premium adjustments for the risk corridors program are accounted for as premium adjustments for retrospectively rated contracts. Premium adjustments are based on each qualified health plan's allowable costs in relation to a target amount. A risk corridor liability is recorded when the allowable costs are below 97 percent of the target amount. The Company has established an estimated risk corridor liability pursuant to Section 1342 of the ACA which is included in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 24).
- **Section 1343 ACA Risk Adjustment Payable** — The Company has established a payable pursuant to Section 1343 of the ACA. Premium adjustments related to the risk adjustment program are accounted for as premiums subject to redetermination. Premium adjustments are based upon the risk scores (health status) of enrollees participating in risk adjustment covered plans, rather than the actual loss experience of the insured. A risk adjustment payable is recorded when the Company estimates its average actuarial risk score for policies included in this program is lower than the average actuarial risk scores in that market and state risk pool (see Note 24). The risk adjustment payable is recorded in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- **Premiums Received in Advance** — Premiums received in full during the current period that are not due until future periods are recorded as premiums received in advance in the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- **General Expenses Due or Accrued** — General expenses that are due as of the reporting date in addition to general expenses that have been incurred but are not due until a subsequent period are reported as general expenses due or accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. General expenses due or accrued also include the amounts for unpaid assessments, state income taxes, and the unpaid portion of the contributions required under the ACA risk adjustment and reinsurance programs (see Note 24).
- **Amounts Due to Parent, Subsidiaries, and Affiliates, Net** — In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts owed as amounts due to parent, subsidiaries, and affiliates, net, in the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- **Liability for Amounts Held under Uninsured Plans** — Liability for amounts held under uninsured plans represents costs incurred that are less than the cost reimbursement under the Medicare Part D program for the catastrophic reinsurance subsidy and the low-income member cost-sharing subsidy for the individual members. The Company is fully reimbursed by CMS for costs incurred for these contract elements, and accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are received monthly

and are not reflected as net premium income, but rather are accounted for as deposits. If the Company incurs costs less than these subsidies, a corresponding liability is recorded in liability for amounts held under uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Related cash flows are presented within operating expenses paid within cash provided by operations in the statutory basis statements of cash flows. The ACA mandates consumer discounts of 50% on brand name prescription drugs for Part D plan participants in the CGDP. These discounts are pre-funded for the individual members by CMS, and ultimately reimbursed by pharmaceutical manufacturers. If the Company incurs costs less than the pre-funded amount, a corresponding liability is recorded in liability for amounts held under uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Related cash flows are presented within operating expenses paid within cash provided by operations in the statutory basis statements of cash flows. For employer group members, the cost reimbursement under the Medicare Part D program for the catastrophic reinsurance subsidy and the low-income member cost-sharing subsidy and the CMS CGDP are only received at settlement which is in the subsequent year. The Company solely administers the application of these funds and has no insurance risk.

Liability for amounts held under uninsured plans also represents the cost reimbursement for the cost-sharing reduction components of the ACA. The Company is fully reimbursed by the federal government for costs incurred related to these provisions. The Company receives advances that are applied to eligible claims. If the Company incurs costs less than these subsidies, a corresponding liability is recorded in liability for amounts held under uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

### **CAPITAL AND SURPLUS AND MINIMUM STATUTORY REQUIREMENTS**

- **Nonadmitted Assets** — Certain assets, including certain amounts relating to uninsured plans, certain deferred tax assets, certain receivables from parent, subsidiaries and affiliates, certain health care receivable and prepaid expenses, are considered nonadmitted assets under NAIC SAP and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus and charged directly to unassigned surplus. Under GAAP, such assets are included in the balance sheet.
- **Restricted Cash Reserves** — The Company held regulatory deposits in the amount of \$1,164,503 and \$1,221,809 as of December 31, 2015 and 2014, respectively, in compliance with the State of Michigan requirements for qualification purposes as a domestic insurer. These restricted cash reserves consist principally of government obligations and are stated at amortized cost, which approximates fair value. These restricted deposits are included in bonds in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on these deposits accrues to the Company.
- **Minimum Capital and Surplus** — Under the laws of the State of Michigan, the Department requires the Company to maintain a minimum capital and surplus equal to the greater of \$1,500,000 or 4% of the subscription revenue because the Company contracts with providers for more than 90% of benefit payout. The Company has \$95,829,376 and \$104,642,797 in total statutory basis capital and surplus as of December 31, 2015 and 2014, respectively, which is in compliance with the required amount.

Risk based Capital ("RBC") is a regulatory tool for measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The Department requires the Company to maintain minimum capital and surplus equal to the greater of the state statute as outlined above or the company action level as calculated by the RBC formula or the level needed to avoid action pursuant to the trend test in the RBC formula. The Company is in compliance with the required amount.

- **Aggregate Write-Ins for Special Surplus Funds** — The Company is subject to the Section 9010 ACA subsequent fee year assessment. Under NAIC SAP, an amount equal to the estimated subsequent year fee must be apportioned out of unassigned surplus and reported as aggregate write-ins for special surplus funds, in the statutory basis statements of admitted assets, liabilities, and capital and surplus, whereas under GAAP, no such special surplus designation is required.

### **STATEMENTS OF OPERATIONS**

- **Net Premium Income and Change in Reserve for Rate Credits** — Revenues consist of net premium income that is recognized in the period in which enrollees are entitled to receive health care services. Net premium income is shown net of reinsurance premiums paid and incurred.



Comprehensive commercial health plans with medical loss ratios on fully insured products, as calculated under the definitions in the ACA (see Note 14) and implementing regulations, that fall below certain targets are required to rebate ratable portions of premiums annually. The Company classifies its estimated rebates as change in reserve for rate credits in the statutory basis statements of operations.

Pursuant to Section 1342 and Section 1343 of the ACA, the Company records premium adjustments for changes to the risk corridor and risk adjustment balances which are reflected in change in reserve for rate credits and net premium income, respectively, in the statutory basis statements of operations.

Net premium income primarily includes amounts paid by DCH on a per member basis in exchange for the provision and administration of medical benefits under the Medicaid and MIChild programs. Premiums are contractual and are recognized in the coverage period in which members are entitled to receive services, except in the case of maternity payments. Maternity income is billed on contractual rates and recognized as income as each birth case is identified by the Company. Included in net premium income are capitated payments, home nursing risk-sharing payments, and maternity payments. The majority of net premium income recorded is based on capitated rates, which are monthly premiums paid for each member enrolled. Home nursing risk-sharing income is payable based upon the number of members that qualify for such reimbursement. Components of the DCH contract are subject to redetermination and retrospectively rated features (see Note 24).

Net premium income includes premium under the Medicare Advantage program which includes CMS premium and member premium. It also includes premium under the Medicare Part D program, which includes, CMS premium, member premium, and low-income premium subsidy for the Company's insurance risk coverage. Net premium income is recognized ratably over the period in which eligible individuals are entitled to receive health care services and prescription drug benefits.

Net premium income also includes amounts pursuant to the CMS risk adjustment program. The Company recognized \$40,239 and (\$412,868) for changes in prior year Medicare risk factor estimates during the years ended December 31, 2015 and 2014, respectively, which is recorded as net premium income in the statutory basis statements of operations.

The Company also records estimates related to the CMS risk corridor program. Changes to these estimates are reflected as change in reserve for rate credits in the statutory basis statements of operations.

Effective January 1, 2014, Medicare Advantage plans and Part D prescription drug plans became subject to MLR requirements under the ACA. Plans with medical loss ratios that fall below certain targets are required to rebate ratable portions of premiums annually. The Company classifies its estimated rebates as change in reserve for rate credits in the statutory basis statements of operations.

The Company participates in the Graduated Medical Education and Hospital Risk Adjustment program and the Specialty Network Access Fees programs ("hospital supplemental payments") with the State of Michigan. The State of Michigan utilizes Michigan Medicaid Managed Care Organizations ("MCOs") to pay the funds to hospitals participating in the program. As an MCO, the Company receives the program funds as part of the monthly capitation payment. Disbursement requirements are provided by the State of Michigan. For the years ended December 31, 2015 and 2014, net premium income of \$296,035,958 and \$245,916,954, respectively, was recognized for the hospital supplemental payments. As no gains are earned on the programs, corresponding charges of \$296,035,958 and \$245,916,954 are recorded as hospital and medical benefits and general administrative expenses by the Company for the years ended December 31, 2015 and 2014.

- **Total Hospital and Medical Expenses** — Total hospital and medical expenses include claims paid, claims processed but not yet paid, estimates for claims received but not yet processed, estimates for the costs of health care services enrollees have received but for which claims have not yet been submitted, and payments and liabilities for physician, hospital, and other medical costs disputes.

Total hospital and medical expenses also include amounts incurred for incentive pool, withhold adjustments, and bonus amounts that are based on the underlying contractual provisions with the respective providers. In addition, adjustments to claims unpaid estimates and aggregate health reserves are reflected in the period once the change in estimate is identified and included in total hospital and medical expenses in the statutory basis statements of operations.

- **General Administrative Expenses** — Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to UHS in exchange for administrative and management services. Costs for items not included within the scope of

the management agreement are directly expensed as incurred. State income taxes are also a component of general administrative expenses. A detailed review of the administrative expenses of the Company and UHS is performed to determine the allocation between claims adjustment expenses and general administrative expenses to be reported in the statutory basis statements of operations.

Effective July 1, 2014 under Senate Bill 893, use-tax was reinstated on Medicaid MCOs. Beginning retroactively on April 1, 2014, medical services provided to Medicaid and MIChild beneficiaries by Medicaid MCOs in the State of Michigan are subject to a 6% use-tax (as a percentage of direct premium revenue). In 2015 and 2014, respectively, the Company incurred \$70,946,541 and \$46,691,126 in use-tax which is recorded as general administrative expenses on the statutory basis statements of operations. The tax is in addition to the Health Insurance Claims Assessment ("HICA") which assesses Medicaid MCOs at 0.75% of paid health claims. Capitation from DCH increased retroactively to April 1, 2014 to consider the increased tax on the Company.

The Company is subject to an annual fee under Section 9010 of the ACA. A health insurance entity's annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2014. Under NAIC SAP, the entire amount of the estimated annual fee expense is recognized on January 1 of the fee year in general administrative expenses in the statutory basis statements of operations, whereas under GAAP, a deferred asset is created on January 1 of the fee year which is amortized to expense on a straight-line basis throughout the year.

- **Net Investment Income Earned** — Net investment income earned includes investment income collected during the period, as well as the change in investment income due and accrued on the Company's holdings. Amortization of premium or discount on bonds and certain external investment management costs are also included in net investment income earned (see Note 7).
- **Federal Income Taxes Incurred** — The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 35% to net income after capital gains and before all other federal income taxes primarily as a result of the annual health insurer fee under Section 9010 of the ACA that requires the Company to expense 100% of the estimated annual fee on January 1, of the fee year, which is nondeductible for tax purposes.
- Comprehensive income and its components are not separately presented in the statutory basis financial statements, whereas under GAAP, it is a requirement to present comprehensive income and its components in the financial statements.

## **REINSURANCE**

- **Reinsurance Ceded** — In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding premium to other insurance enterprises or reinsurers under excess coverage contracts or specific transfer of risk agreements. The Company remains primarily liable as the direct insurer on the risks reinsured. Reinsurance premiums paid and reinsurance premiums incurred but not paid are deducted from net premium income in the accompanying statutory basis statements of operations. Any amounts due to the Company pursuant to this agreement are recorded as amounts recoverable from reinsurers in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 10 and Note 23).
- **Amounts Recoverable from Reinsurers** — The Company records amounts recoverable from reinsurers for stop-loss as reinsurance in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as net reinsurance recoveries in the statutory basis statements of operations.
- **Section 1341 ACA Transitional Reinsurance** — The Company has established a receivable of \$433,924 and a liability of \$146,916 pursuant to Section 1341 of the ACA which is included in amounts recoverable from reinsurers and ceded reinsurance premium payable, respectively, in the statutory basis statements of admitted assets, liabilities, and capital and surplus, for the transitional reinsurance program. This program is designed to protect issuers in the individual market from an expected increase in large claims due to the elimination of preexisting condition limitations (see Note 24).

## **OTHER**

- **Vulnerability Due to Certain Concentrations** — The Company is subject to substantial federal and state government regulation, including licensing and other requirements relating to the offering of the Company's existing products in new markets and offerings of new products, both of which may restrict the Company's ability to expand its business.

The Company has no customers that individually exceed 10% of total direct premiums written for the years ended December 31, 2015 and 2014.

Direct premiums written and uncollected premiums, including risk adjustment factor receivables, from members and CMS related to Medicare Advantage and the Medicare Part D program as a percentage of total direct premiums written and total uncollected premiums, including risk adjustment factor receivables, are 0% and 20% as of December 31, 2015 and 7% and 17% as of December 31, 2014, respectively.

Direct written premiums and uncollected premiums, including risk adjustment factor receivables, from the DCH for Medicaid and MIChild, as a percentage of total direct premiums written are 99% and 80% as of December 31, 2015 and 93% and 83% as of December 31, 2014, respectively.

**Recently Issued Accounting Standards** — The Company reviewed all recently issued guidance in 2014 and 2015 that has been adopted for 2015 or subsequent years' implementation and has determined that none of the items would have a significant impact to the statutory basis financial statements.

**D. Going Concern**

The Company has the ability to continue as a going concern and will continue to operate for a period of time sufficient to carry out its commitments, obligations and business objectives.

**2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS**

No changes in accounting or correction of errors have been recorded during the years ended December 31, 2015 and 2014.

**3. BUSINESS COMBINATIONS AND GOODWILL**

**A–D.** The Company was not party to a business combination during the years ended December 31, 2015 and 2014, and does not carry goodwill in its statutory basis statements of admitted assets, liabilities, and capital and surplus.

**4. DISCONTINUED OPERATIONS**

**A. Discontinued Operation Disposed of or Classified as Held for Sale**

**(1–5)** The Company did not discontinue any operations during 2015 and 2014; however, the Company did make the decision to discontinue offering the Medicare product effective January 1, 2015 (see Note 21).

**B. Change in Plan of Sale of Discontinued Operation** — Not applicable.

**C. Nature of any Significant Continuing Involvement with Discontinued Operations after Disposal** — Not applicable.

**D. Equity Interest Retained in the Discontinued Operation after Disposal** — Not applicable.

**5. INVESTMENTS AND OTHER INVESTED ASSETS**

For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The gross realized gains and losses on sales of long-term investments were \$678,274 and (\$7,829), respectively, for 2015 and \$507,369 and \$69,848, respectively, for 2014. The gross realized gains and losses on sales of short-term investments were \$0 and \$0, respectively, for 2015 and \$992 and \$0, respectively, for 2014. The net realized gain is included in net realized capital gains less capital gains tax in the statutory basis statements of operations. Total proceeds on the sale of long-term investments were \$17,613,372 and \$29,739,676 and for short-term investments were \$1,223,896,122 and \$1,071,091,993 in 2015 and 2014, respectively.

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE UnitedHealthcare Community Plan, Inc.

As of December 31, 2015 and 2014, the amortized cost, fair value, and gross unrealized holding gains and losses of the Company’s investments, excluding cash (overdrafts) and cash equivalents of \$3,521,348 and (\$1,243,835), respectively, are as follows:

	2015				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 Year	Gross Unrealized Holding Losses > 1 Year	Fair Value
U.S. government and agency securities	\$ 36,764,702	\$ 38,970	\$ 89,279	\$ -	\$ 36,714,393
State and agency municipalities	11,766,123	296,244	34,503	-	12,027,864
City and county municipalities	19,679,809	440,291	31,281	-	20,088,819
Corporate debt securities (includes commercial paper)	63,065,291	65,367	245,442	85,232	62,799,984
Money-market funds	<u>112,763,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,763,837</u>
Total bonds and short-term investments	<u>\$ 244,039,762</u>	<u>\$ 840,872</u>	<u>\$ 400,505</u>	<u>\$ 85,232</u>	<u>\$ 244,394,897</u>

	2015				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 Year	Gross Unrealized Holding Losses > 1 Year	Fair Value
Less than one year	\$ 175,431,343	\$ 6,248	\$ 45,494	\$ -	\$ 175,392,097
One to five years	16,541,167	82,752	149,896	4,235	16,469,788
Five to ten years	20,956,289	534,177	65,693	19,440	21,405,333
Over ten years	<u>31,110,963</u>	<u>217,695</u>	<u>139,422</u>	<u>61,557</u>	<u>31,127,679</u>
Total bonds and short-term investments	<u>\$ 244,039,762</u>	<u>\$ 840,872</u>	<u>\$ 400,505</u>	<u>\$ 85,232</u>	<u>\$ 244,394,897</u>

	2014				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 Year	Gross Unrealized Holding Losses > 1 Year	Fair Value
U.S. government and agency securities	\$ 28,334,186	\$ 140,064	\$ 10,834	\$ -	\$ 28,463,416
State and agency municipalities	12,128,467	378,971	5,720	-	12,501,718
City and county municipalities	19,564,725	760,709	16,744	-	20,308,690
Corporate debt securities (includes commercial paper)	62,375,223	156,047	109,832	9,964	62,411,474
Money-market funds	<u>98,980,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,980,676</u>
Total bonds and short-term investments	<u>\$ 221,383,277</u>	<u>\$ 1,435,791</u>	<u>\$ 143,130</u>	<u>\$ 9,964</u>	<u>\$ 222,665,974</u>

Included in U.S. government and agency securities and corporate bonds in the tables above are mortgage related loan-backed securities, which do not have a single maturity date. For the years to maturity table above, these securities have been presented in the maturity group based on the securities’ final maturity date and at an amortized cost of \$14,267,514 and fair value of \$14,162,850.

The following table illustrates the fair value and gross unrealized holding losses, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of December 31, 2015 and 2014:

	2015					
	< 1 Year		> 1 Year		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
U.S. government and agency securities	\$28,349,818	\$ 89,279	\$ -	\$ -	\$ 28,349,818	\$ 89,279
State and agency municipalities	3,367,487	34,503	-	-	3,367,487	34,503
City and county municipalities	4,016,919	31,281	-	-	4,016,919	31,281
Corporate debt securities (includes commercial paper)	49,649,127	245,442	3,088,846	85,232	52,737,973	330,674
Total bonds and short-term investments	<u>\$85,383,351</u>	<u>\$ 400,505</u>	<u>\$ 3,088,846</u>	<u>\$ 85,232</u>	<u>\$ 88,472,197</u>	<u>\$ 485,737</u>

	2014					
	< 1 Year		> 1 Year		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
U.S. government and agency securities	\$16,877,772	\$ 10,834	\$ -	\$ -	\$ 16,877,772	\$ 10,834
State and agency municipalities	795,886	5,720	-	-	795,886	5,720
City and county municipalities	2,658,569	16,744	-	-	2,658,569	16,744
Corporate debt securities (includes commercial paper)	43,074,285	109,831	688,787	9,963	43,763,072	119,794
Total bonds and short-term investments	<u>\$63,406,512</u>	<u>\$ 143,129</u>	<u>\$ 688,787</u>	<u>\$ 9,963</u>	<u>\$ 64,095,299</u>	<u>\$ 153,092</u>

The unrealized losses on investments in U.S. government and agency securities, state and agency municipalities, city and county municipalities, and corporate debt securities at December 31, 2015 and 2014, were mainly caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities. The Company evaluates impairment at each reporting period for each of the securities whereby the fair value of the investment is less than its amortized cost. The contractual cash flows of the U.S. government and agency obligations are guaranteed either by the U.S. government or an agency of the U.S. government. It is expected that the securities would not be settled at a price less than the cost of the investment, and the Company does not intend to sell the investment until the unrealized loss is fully recovered. The Company evaluated the credit ratings of the municipalities and local agency obligations and corporate obligations, noting whether a significant deterioration since purchase or other factors that may indicate an OTTI, such as the length of time and extent to which fair value has been less than cost, the financial condition, and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer and the Company's intent to sell the investment. Additionally, the Company evaluated its intent and ability to retain loan-backed securities for a period of time sufficient to recover the amortized cost. As a result of these reviews, no OTTI were recorded by the Company as of December 31, 2015 and 2014.

**A–C.** The Company has no mortgage loans, real estate loans, restructured debt, or reverse mortgages. The Company also has no real estate property occupied by the Company, real estate property held for the production of income, or real estate property held for sale.

**D. Loan-Backed Securities**

- (1) U.S. government and agency securities and corporate debt securities include loan-backed securities, which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the amortized cost of loan-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors.
- (2) The Company did not recognize any OTTI on loan-backed securities as of December 31, 2015 and 2014.
- (3) The Company did not have any loan-backed securities with an OTTI to report by CUSIP as of December 31, 2015 or 2014.

- (4) The following table illustrates the fair value, gross unrealized losses, and length of time that the loan-backed securities have been in a continuous unrealized loss position as of December 31, 2015 and 2014:

	2015
The aggregate amount of unrealized losses:	
1. Less than 12 months	\$ 113,305
2. 12 months or longer	68,344
The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months	16,202,046
2. 12 months or longer	2,830,878
	2014
The aggregate amount of unrealized losses:	
1. Less than 12 months	\$ 72,510
2. 12 months or longer	4,475
The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months	12,053,573
2. 12 months or longer	319,081

- (5) The Company believes that it will collect all principal and interest due on all investments that have an amortized cost in excess of fair value. The unrealized losses as of December 31, 2015 and 2014 were primarily caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities.

- E. Repurchase Agreements and/or Securities Lending Transactions — Not applicable.
- F. Real Estate — Not applicable.
- G. Low-Income Housing Tax Credits — Not applicable.

H. Restricted Assets

(1) Restricted assets, including pledged as of December 31, 2015 and 2014, are presented below:

Restricted Asset Category	1 Total Gross Restricted from Current Year	2 Total Gross Restricted from Prior Year	3  Increase/ (Decrease) (1 Minus 2)	4  Total Current Year Admitted Restricted	5  Percentage Gross Restricted to Total Assets	6  Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	0%	0%
b. Collateral held under security lending agreements	-	-	-	-	0%	0%
c. Subject to repurchase agreements	-	-	-	-	0%	0%
d. Subject to reverse repurchase agreements	-	-	-	-	0%	0%
e. Subject to dollar repurchase agreements	-	-	-	-	0%	0%
f. Subject to dollar reverse repurchase agreements	-	-	-	-	0%	0%
g. Placed under option contracts	-	-	-	-	0%	0%
h. Letter stock or securities restricted as to sale—excluding FHLB capital stock	-	-	-	-	0%	0%
i. FHLB capital stock	-	-	-	-	0%	0%
j. On deposit with states	1,164,503	1,221,809	(57,306)	1,164,503	0%	0%
k. On deposit with other regulatory bodies	-	-	-	-	0%	0%
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-	0%	0%
m. Pledged as collateral not captured in other categories	-	-	-	-	0%	0%
n. Other restricted assets	-	-	-	-	0%	0%
o. Total restricted assets	<u>\$ 1,164,503</u>	<u>\$ 1,221,809</u>	<u>\$ (57,306)</u>	<u>\$ 1,164,503</u>	<u>0%</u>	<u>0%</u>

(2–3) The Company has no assets pledged as collateral not captured in other categories and no other restricted assets as of December 31, 2015 or 2014.

I. Working Capital Finance Investments — Not applicable.

J. Offsetting and Netting of Assets and Liabilities

The Company does not have any offsetting or netting of assets and liabilities as it relates to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and securities lending activities.

K. Structured Notes

The Company does not have any structured notes.

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

A–B. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of admitted assets and did not recognize any impairment write-down for its investments in joint ventures, partnerships, and limited liability companies during the statement periods.

7. INVESTMENT INCOME

A. The Company has admitted all investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The components of net investment income earned as of December 31, 2015 and 2014 are as follows:

	2015	2014
Bonds	\$ 1,595,202	\$ 1,549,993
Cash, cash equivalents, and short-term investments	<u>449,721</u>	<u>258,148</u>
Total investment income earned	2,044,923	1,808,141
Expenses—investment management fees	<u>90,528</u>	<u>100,796</u>
Net investment income earned	<u>\$ 1,954,395</u>	<u>\$ 1,707,345</u>

B. There were no investment income amounts excluded from the statutory basis financial statements.

8. DERIVATIVE INSTRUMENTS

A–F. The Company has no derivative instruments.

9. INCOME TAXES

A. Deferred Tax Asset/Liability

(1) The components of the net deferred tax asset at December 31, 2015 and 2014, are as follows:

	2015			2014			Change		
	1	2	3	4	5	6	7	8	9
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross deferred tax ass	\$ 2,550,556	\$ -	\$ 2,550,556	\$ 2,955,918	\$ -	\$ 2,955,918	\$ (405,362)	\$ -	\$ (405,362)
(b) Statutory valuation allowance adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,518</u>	<u>-</u>	<u>521,518</u>	<u>(521,518)</u>	<u>-</u>	<u>(521,518)</u>
(c) Adjusted gross deferred tax assets									
(1a - 1b)	2,550,556	-	2,550,556	2,434,400	-	2,434,400	116,156	-	116,156
(d) Deferred tax assets nonadmitted	<u>231,322</u>	<u>-</u>	<u>231,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,322</u>	<u>-</u>	<u>231,322</u>
(e) Subtotal net admitted deferred tax asset (1c - 1d)	2,319,234	-	2,319,234	2,434,400	-	2,434,400	(115,166)	-	(115,166)
(f) Deferred tax liabilities	<u>4,021</u>	<u>13,546</u>	<u>17,567</u>	<u>2,662</u>	<u>4,710</u>	<u>7,372</u>	<u>1,359</u>	<u>8,836</u>	<u>10,195</u>
(g) Net admitted deferred tax asset/(net deferred tax liability) (1e - 1f)	<u>\$ 2,315,213</u>	<u>\$ (13,546)</u>	<u>\$ 2,301,667</u>	<u>\$ 2,431,738</u>	<u>\$ (4,710)</u>	<u>\$ 2,427,028</u>	<u>\$ (116,525)</u>	<u>\$ (8,836)</u>	<u>\$ (125,361)</u>



(2) The components of the adjusted gross deferred tax assets admissibility calculation under SSAP No. 101, *Income Taxes—A Replacement of SSAP No. 10R and SSAP No. 10*, are as follows:

Admission Calculation Components SSAP No. 101	2015			2014			Change		
	1 Ordinary	2 Capital	3 (Col 1 + 2) Total	4 Ordinary	5 Capital	6 (Col 4 + 5) Total	7 (Col 1 - 4) Ordinary	8 (Col 2 - 5) Capital	9 (Col 7 + 8) Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 2,208,334	\$-	\$ 2,208,334	\$ 2,434,000	\$ -	\$2,434,000	\$(225,666)	\$ -	\$ (225,666)
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below)	93,333	-	93,333	-	-	-	93,333	-	93,333
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	93,333	-	93,333	-	-	-	93,333	-	93,333
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	14,029,156	XXX	XXX	15,332,365	XXX	XXX	(1,303,209)
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	17,567	-	17,567	-	-	-	17,567	-	17,567
(d) Deferred tax assets admitted as the result of application of SSAP No. 101									
Total (2(a) + 2(b) + 2(c))	\$ 2,319,234	\$-	\$ 2,319,234	\$ 2,434,000	\$ -	\$2,434,000	\$(114,766)	\$ -	\$ (114,766)

(3) The ratio percentage and adjusted capital and surplus used to determine the recovery period and threshold limitations for the admissibility calculation are presented below:

	2015	2014
(a) Ratio percentage used to determine recovery period and threshold limitation amount	312 %	344 %
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)(2) above	\$ 93,527,709	\$ 102,215,768

(4) The impact to the gross deferred tax assets balances as a result of tax-planning strategies is presented below:

Impact of Tax-Planning Strategies	2015		2014		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col 1 - 3) Ordinary	6 Col 2 - 4 Capital
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets by tax character as a percentage.						
1. Adjusted gross DTAs amount from Note 9A1(c)	\$ 2,550,556	\$ -	\$ 2,434,400	\$ -	\$116,156.00	\$ -
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax-planning strategies	0%	0%	0%	0%	0%	0%
3. Net admitted adjusted gross DTAs amount from Note 9A1(e)	\$ 2,319,234	\$ -	\$ 2,434,400	\$ -	\$ (115,166)	\$ -
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax-planning strategies	0%	0%	0%	0%	0%	0%
(b) Does the Company's tax-planning strategies include the use of reinsurance	Yes	No		X		

B. Unrecognized Deferred Tax Liabilities

(1–4) There are no unrecognized deferred tax liabilities.

C. Significant Components of Income Taxes

(1) The current federal income taxes incurred for the years ended December 31, 2015 and 2014 are as follows:

	1	2	3
	2015	2014	(Col 1 - 2) Change
1. Current income tax			
(a) Federal	\$ 34,949,572	\$ 22,960,320	\$ 11,989,252
(b) Foreign	-	-	-
(c) Subtotal	34,949,572	22,960,320	11,989,252
(d) Federal income tax on net capital gains	236,086	161,063	75,023
(e) Utilization of capital loss carryforwards	-	-	-
(f) Other	-	-	-
(g) Total federal and foreign income taxes incurred	<u>\$ 35,185,658</u>	<u>\$ 23,121,383</u>	<u>\$ 12,064,275</u>

(2-4) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2015 and 2014, are as follows:

	1	2	3
	2015	2014	(Col 1 - 2) Change
Deferred tax assets:			
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ 403,410	\$ 379,332	\$ 24,078
(2) Unearned premium reserve	441,787	158,901	282,886
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	-	-	-
(8) Compensation and benefits accrual	-	-	-
(9) Pension accrual	-	-	-
(10) Receivables—nonadmitted	1,040,374	1,795,463	(755,089)
(11) Net operating loss carryforward	-	-	-
(12) Tax credit carry forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	<u>664,985</u>	<u>622,222</u>	<u>42,763</u>
(99) Subtotal	2,550,556	2,955,918	(405,362)
(b) Statutory valuation allowance adjustment	-	521,518	(521,518)
(c) Nonadmitted	<u>231,322</u>	<u>-</u>	<u>231,322</u>
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	<u>2,319,234</u>	<u>2,434,400</u>	<u>(115,166)</u>
(e) Capital:			
(1) Investments	-	-	-
(2) Net capital loss carryforward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	<u>-</u>	<u>-</u>	<u>-</u>
(99) Subtotal	-	-	-
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	<u>-</u>	<u>-</u>	<u>-</u>
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	<u>-</u>	<u>-</u>	<u>-</u>
(i) Admitted deferred tax assets (2d + 2h)	<u>2,319,234</u>	<u>2,434,400</u>	<u>(115,166)</u>
Deferred tax liabilities:			
(a) Ordinary:			
(1) Investments	2,773	2,662	111
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax liabilities)	<u>1,248</u>	<u>-</u>	<u>1,248</u>
(99) Subtotal	<u>4,021</u>	<u>2,662</u>	<u>1,359</u>
(b) Capital:			
(1) Investments	13,546	4,710	8,836
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	<u>-</u>	<u>-</u>	<u>-</u>
(99) Subtotal	<u>13,546</u>	<u>4,710</u>	<u>8,836</u>
(c) Deferred tax liabilities (3a99 + 3b99)	<u>17,567</u>	<u>7,372</u>	<u>10,195</u>
Net deferred tax assets/liabilities (2i - 3c)	<u>\$ 2,301,667</u>	<u>\$ 2,427,028</u>	<u>\$ (125,361)</u>

The other ordinary deferred tax asset of \$664,985 for 2015 consists of intangibles of \$528,889, bad debt of \$118,160 and general expenses due and accrued of \$17,936. The other ordinary

deferred tax liability of \$1,248 for 2015 consists of premium acquisition expense. The other ordinary deferred tax asset of \$622,222 for 2014 consist of intangibles.

The Company assessed the potential realization of the gross deferred tax asset and established a valuation allowance of \$0 and \$521,518 to reduce the gross deferred tax asset to \$2,550,556 and \$2,434,400 as of December 31, 2015 and 2014, respectively, which represents the amount of the asset estimated to be recoverable via carryback of losses and reduction of future taxes. The change in the valuation allowance is attributable to the change in timing of deductibility of expenses and/or expectations for future taxable income.

- D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 35% to net income before federal income taxes incurred, plus capital gains tax. A summarization of the significant items causing this difference as of December 31, 2015 and 2014 are as follows:

	2015	2014
Tax provision at the federal statutory rate	\$ 27,782,656	\$ 18,727,537
Tax-exempt interest	(229,992)	(222,564)
Health insurer fee	7,307,047	4,634,387
Tax effect of nonadmitted assets	741,505	(959,559)
Change in statutory valuation allowance	(521,518)	(91,083)
Other	-	-
Total statutory income taxes	<u>\$ 35,079,698</u>	<u>\$ 22,088,718</u>
Federal income taxes incurred	\$ 34,949,572	\$ 22,960,320
Capital gains tax	236,086	161,063
Change in net deferred tax asset	<u>(105,960)</u>	<u>(1,032,665)</u>
Total statutory income taxes	<u>\$ 35,079,698</u>	<u>\$ 22,088,718</u>

- E. At December 31, 2015, the Company had no net operating loss carryforwards.

Current federal income taxes payable of \$238,658 and \$4,513,383 as of December 31, 2015 and 2014, respectively, are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes paid, net of refunds were \$39,460,383 and \$19,487,038 in 2015 and 2014, respectively.

Federal income taxes incurred of \$35,185,658 and \$23,121,383 for 2015 and 2014, respectively, are available for recoupment in the event of future net losses.

The Company has not admitted any aggregate amounts of deposits that are included within Section 6603 ("Deposits made to suspend running of interest on potential underpayments, etc.") of the Internal Revenue Service ("IRS") Code.

- F. The Company is included in the consolidated federal income tax return with its ultimate parent, UnitedHealth Group. The entities included within the consolidated return are included in NAIC Statutory Statement Schedule Y—Information Concerning Activities of Insurer Members Of A Holding Company Group. Federal income taxes are paid to or refunded by UnitedHealth Group pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis, with the exception of net operating losses and capital losses. For these losses, the Company receives a benefit at the federal rate in the current year for current taxable losses incurred in that year to the extent losses can be utilized in the consolidated federal income tax return of UnitedHealth Group. UnitedHealth Group currently files income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. The IRS has completed exams on UnitedHealth Group's consolidated income tax returns for fiscal years 2014 and prior. UnitedHealth Group's 2015 tax return is under advance review by the IRS under its Compliance Assurance Program. With the exception of a few states, UnitedHealth Group is no longer subject to income tax examinations prior to 2008 in major state and foreign jurisdictions. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

- G. **Tax Contingencies** — Not applicable.

10. **INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES**

**A–N. Material Related Party Transactions**

Pursuant to the terms of a management agreement (the "Agreement"), UHS will provide management services to the Company under a fee structure, which is based on a percentage of

premium charges representing UHS' expenses for services or use of assets provided to the Company. In addition, UHS provides or arranges for services on behalf of the Company using a pass-through of charges incurred by UHS on a PMPM basis (where the charges incurred by UHS is on a PMPM basis) or using another allocation methodology consistent with the Agreement. These services may include, but are not limited to, integrated personal health management solutions, such as disease management, treatment decision support, and wellness services, including a 24-hour call-in service, access to a network of transplant providers, discount program services and for services that lead up to and include the prevention and recovery of medical expense overpayments. The amount and types of services provided pursuant to the pass-through provision of the Agreement can change year over year as UHS becomes the contracting entity for services provided to the Company's members. Total administrative services, capitation, and access fees under these arrangements totaled \$76,506,043 and \$68,618,090 in 2015 and 2014, respectively, and are included in total hospital and medical expenses, general administrative expenses, and claims adjustment expenses in the statutory basis statements of operations. Direct expenses not covered under the Agreement, such as broker commissions, Department of Insurance exam fees, ACA assessments, and state taxes, are paid by UHS on behalf of the Company. UHS is reimbursed by the Company for these direct expenses.

The Company also directly contracts with related parties to provide services to its members. The Company expensed as hospital and medical expenses, general administrative expenses, and claims adjustment expenses \$8,474,249 and \$7,026,045 in capitation fees to related parties during 2015 and 2014, respectively. United Behavioral Health provides mental health and substance abuse services. Dental Benefit Providers, Inc. provides dental care assistance. OptumHealth Care Solutions, Inc. provides chiropractic, physical therapy and complex medical conditions services. The capitation expenses, administrative services, and access fees paid to related parties, that are included in hospital and medical expenses, general administrative expenses, and claims adjustment expenses in the statutory basis statements of operations for the years ended December 31, 2015 and 2014, are shown below:

	2015	2014
United Behavioral Health	\$7,489,327	\$ 6,746,286
Dental Benefit Providers, Inc.	579,606	279,759
OptumHealth Care Solutions, Inc.	<u>405,316</u>	<u>-</u>
Total	<u>\$8,474,249</u>	<u>\$ 7,026,045</u>

Management believes that its transactions with affiliates are fair and reasonable; however, operations of the Company may not be indicative of those that would have occurred if it had operated as an independent company.

The Company contracts with OptumRx to provide administrative services related to pharmacy management and pharmacy claims processing for its enrollees. Fees related to these agreements, which are calculated on a per-claim basis, of \$5,178,429 and \$5,096,428 in 2015 and 2014, respectively, are included in general administrative expenses and claims adjustment expenses in the statutory basis statements of operations.

The Company contracts with OptumRx to provide personal health products catalogues showing the healthcare products and benefit credits needed to redeem the respective products. OptumRx will mail the appropriate personal health products catalogues to the Company's members and manage the personal health products credit balance. OptumRx also distributes personal health products to individual members based upon the terms of the agreement. Fees related to this agreement in 2015 and 2014, which are calculated on a PMPM basis of \$0 and \$1,150,643, respectively, are included in hospital and medical expenses in the statutory basis statements of operations.

The Company has agreement with OptumInsight, Inc., an affiliate of the Company, for claim analytics, recovery of medical expense (benefit) overpayments, retroactive fraud, waste and abuse, subrogation and premium audit services. All recoveries are returned to the Company by OptumInsight, Inc. on a monthly basis and a capitated service fee is charged to the Company as a PMPM. Service fees of \$2,651,426 and \$1,301,342 are included in hospital and medical expenses, claims adjustment expenses, and general administrative expenses in the statutory basis statements of operations for the years ended December 31, 2015 and 2014, respectively.

The Company has an excess loss reinsurance agreement on its Medicaid policies with an affiliated entity, UnitedHealthcare Insurance Company, whereby 80% of amounts up to \$1,000,000 are covered after a deductible of \$125,000 per member is met. Reinsurance premiums, which are calculated on a PMPM basis, of \$2,032,108 and \$1,964,825 in 2015 and 2014, respectively, are netted against net premium income in the accompanying statutory basis statements of operations. Reinsurance recoveries of \$3,521,902 and \$2,006,619 in 2015 and

2014, respectively, are included in net reinsurance recoveries in the accompanying statutory basis statements of operations. There were \$756,165 and \$963,337 of reinsurance receivables related to this agreement as of December 31, 2015 and 2014, respectively. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company.

The Company holds a subordinated revolving credit agreement with UnitedHealth Group at an interest rate of London InterBank Offered Rate ("LIBOR") plus a margin of 0.50%. This credit agreement is subordinate to the extent it does not conflict with any credit facility held by either party. The aggregate principal amount that may be outstanding at any time is the lesser of 3% of the Company's admitted assets or 25% of the Company's policyholder surplus as of the preceding December 31. The credit agreement is for a one-year term and automatically renews annually, unless terminated by either party. The agreement was renewed effective October 1, 2015. No amounts were outstanding under the line of credit as of December 31, 2015 and 2014.

At December 31, 2015 and 2014, the Company reported \$4,837,219 and \$5,926,756, respectively, as amounts due to parent, subsidiaries, and affiliates, net which are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. These balances are generally settled within 90 days from the incurred date. Any balances due to the Company that are not settled within 90 days are considered nonadmitted assets.

The Company has entered into a Tax Sharing Agreement with UnitedHealth Group (see Note 9).

The Company paid dividends of \$55,000,000 and \$0 in 2015 and 2014, respectively, to its parent (see Note 13).

The Company does not have any amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity.

The Company does not have any investments in a subsidiary, controlled, or affiliated entity that exceeds 10% of admitted assets.

The Company does not have any investments in impaired subsidiary, controlled, or affiliated entities.

The Company does not have any investments in foreign insurance subsidiaries.

The Company does not hold any investments in a downstream noninsurance holding company.

The Company does not have any investments in non-insurance subsidiaries, controlled, or affiliated entities.

The Company does not have any investments in insurance subsidiaries, controlled, or affiliated entities.

The Company has not extended any guarantees or undertakings for the benefit of an affiliate or related party.

## **11. DEBT**

**A–B.** The Company had no outstanding debt with third-parties or outstanding Federal Home Loan Bank agreements during 2015 and 2014.

## **12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES, AND OTHER POSTRETIREMENT BENEFIT PLANS**

**A–I.** The Company has no defined benefit plans, defined contribution plans, multiemployer plans, consolidated/holding company plans, postemployment benefits, or compensated absences plans and is not impacted by the Medicare Modernization Act on postretirement benefits, since all personnel are employees of UHS, which provides services to the Company under the terms of the Agreement (see Note 10).

## **13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS, AND QUASI-REORGANIZATIONS**

**(1–2)** The Company has 5,275,459 shares authorized and 2,303,598 shares issued and outstanding of common stock with no par value. The Company has no preferred stock outstanding. All issued and outstanding shares of common stock are held by the Company's parent, AmeriChoice.

**(3)** The insurance laws of the State of Michigan limit the amount of dividends that may be paid from positive unassigned surplus by an insurer without prior approval by the Department. Under these requirements, the Company may pay dividends during any 12-month period in an amount equal to

the greater of 10% of the preceding year-end statutory basis capital and surplus or the preceding year's statutory basis net income.

- (4) The Company paid an ordinary cash dividend of \$30,000,000 on June 8, 2015 to AmeriChoice, Inc. The ordinary dividend complied with the provisions set forth in the statutes of Michigan. The dividend was recorded as a reduction to unassigned surplus in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company paid an extraordinary cash dividend of \$25,000,000 on December 21, 2015 to AmeriChoice, Inc., which was approved by the State of Michigan and recorded as a reduction to unassigned surplus in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

- (5) The amount of ordinary dividends that may be paid out during any given period is subject to certain restrictions as specified by state statute.
- (6) There are no restrictions placed on the Company's unassigned surplus.
- (7) The Company is not a mutual reciprocal or a similarly organized entity and does not have advances to surplus not repaid.
- (8) The Company does not hold any stock, including stock of affiliated companies for special purposes, such as conversion of preferred stock, employee stock options, or stock purchase warrants.
- (9) As discussed in Note 1, an amount equal to the estimated subsequent year ACA fee must be apportioned out of unassigned surplus and reported as Section 9010 ACA subsequent fee year assessment. For the year ending December 31, 2015 and 2014, the amount was \$21,839,117 and \$16,220,130, respectively.
- (10) The portion of unassigned surplus, excluding the apportionment of estimated Section 9010 ACA subsequent fee year assessment, net income, and dividends, represented (or reduced) by each item below is as follows:

	2015	2014	Change
Net deferred income taxes	\$ 2,532,989	\$ 2,427,029	\$ 105,960
Nonadmitted assets	<u>(3,245,876)</u>	<u>(5,133,141)</u>	<u>1,887,265</u>
Total	<u>\$ (712,887)</u>	<u>\$ (2,706,112)</u>	<u>\$ 1,993,225</u>

- (11–13) The Company does not have any outstanding surplus notes and has never been a party to a quasi-reorganization.

14. LIABILITIES, CONTINGENCIES AND ASSESSMENTS

A. Contingent Commitments

The Company has no contingent commitments.

B. Assessments

The Company is not aware of any guarantee fund assessments or premium tax offsets, potential or accrued, that could have a material financial effect on the operations of the entity.

C. Gain Contingencies

The Company is not aware of any gain contingencies that should be disclosed in the statutory basis financial statements.

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits — Not applicable.

E. Joint and Several Liabilities — Not applicable.

F. All Other Contingences

Because of the nature of its businesses, the Company is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators, relating to the

Company's businesses, including management and administration of health benefit plans and other services.

The Company records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving the Company are inherently difficult to predict, particularly where the matters: involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, the Company is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility or it is probable that a loss may be incurred. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions will not have a material adverse effect on the statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

The Company's business is regulated at the federal, state, and local levels. The laws and rules governing the Company's business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. Further, the Company must obtain and maintain regulatory approvals to market and sell many of its products.

The Company has been, or is currently involved, in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments and other governmental authorities. Certain of the Company's businesses have been reviewed or are currently under review, for reasons including compliance with coding and other requirements under the Medicare risk-adjustment model.

**Risk Adjustment Data Validation ("RADV") Audit** — CMS adjusts capitation payments to Medicare Advantage plans and Medicare Part D plans according to the predicted health status of each beneficiary as supported by data from health care providers. The Company collects claim and encounter data from providers who the Company generally relies on to appropriately code their claim submissions and document their medical records. CMS then determines the risk score and payment amount for each enrolled member based on the health care data submitted and member demographic information.

CMS and the Office of Inspector General for Health and Human Services periodically perform RADV audits of selected Medicare health plans to validate the coding practices of and supporting documentation maintained by health care providers. Such audits have in the past resulted in, and in the future could result in, retrospective adjustments to payments made to the Company, fines, corrective action plans or other adverse action by CMS.

In February 2012, CMS announced a final RADV and payment adjustment methodology audit. It will conduct the RADV audits beginning with the 2011 payment year. These audits involve a review of medical records maintained by care providers and may result in retrospective adjustments to payments made to health plans. CMS has not communicated how the final payment adjustment under its methodology will be implemented.

The ACA and the related federal and state regulations will continue to impact how the Company does business and could restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase the Company's medical and administrative costs, expose the Company to an increased risk of liability (including increasing the Company's liability in federal and state courts for coverage determinations and contract interpretation), or put the Company at risk for loss of business. In addition, the Company's statutory basis results of operations, financial condition, and cash flows could be materially adversely affected by such changes. The ACA may create new or expand existing opportunities for business growth, but due to its complexity, the long term impact of the ACA remains difficult to predict and is not yet fully known.

The Company routinely evaluates the collectability of all receivable amounts included within the statutory basis statements of admitted assets, liabilities, and capital and surplus. Impairment reserves are established for those amounts where collectability is uncertain. Based on the Company's past experience, exposure related to uncollectible balances and the potential of loss for those balances not currently reserved for is not material to the Company's statutory basis financial condition.

There are no assets that the Company considers to be impaired at December 31, 2015 and 2014.

## 15. LEASES

**A–B.** According to the management agreement between the Company and UHS (see Note 10), operating leases for the rental of office facilities and equipment are the responsibility of UHS.

Fees associated with the lease agreements are included as a component of the Company's management fee.

**16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK**

(1–4) The Company does not hold any financial instruments with off-balance-sheet risk or concentrations of credit risk.

**17. SALE, TRANSFER, AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES**

A–C. The Company did not participate in any transfer of receivables, financial assets, or wash sales.

**18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS**

A–B. The Company has no operations from Administrative Services Only Contracts or Administrative Services Contracts in 2015 and 2014.

**C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract**

The Medicare Part D program is a partially insured plan. The Company recorded a payable of \$108,495 and a receivable of \$4,711,071 at December 31, 2015 and 2014, respectively, for cost reimbursements under the Medicare Part D program for the catastrophic reinsurance and low-income member cost-sharing subsidies as described in Note 1, *Amounts Receivable Relating to Uninsured Plans and Liability for Amounts Held Under Uninsured Plans*. The Company also recorded a receivable of \$10 and \$0 and also a payable of \$757 and \$1,260 at December 31, 2015 and 2014, respectively, for the Medicare Part D Coverage Gap Discount Program as described in Note 1, *Amounts Receivable Relating to Uninsured Plans and Liability for Amounts Held Under Uninsured Plans*.

Pursuant to the ACA, the state elected to administer enhanced rate payments to primary care physicians ("PCP") through non-risk reconciled payments. The legislative requirement to pay enhanced rates to primary care physicians ended as of January 1, 2015 at which time the State of Michigan elected to continue the non-risk program under the DCH contract. The state's capitation rate is not inclusive of the enhanced rate and the Company is reimbursed at agreed upon intervals for all of the enhanced payment amounts in the determined period. There is no risk to the Company because any excess or shortfall is 100% remitted or received back from the state. The Company recorded a payable in liability for amounts held under uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus of \$12,237,707 and \$0 as of December 31, 2015 and December 31, 2014, respectively, for cost reimbursements and payments to providers under this program. On and after January 1, 2015 dates of service, the State of Michigan has elected to discontinue the non-risk reconciled payments and continue with enhanced rate payments to PCP's as a component of the contractual capitated risk arrangement with the DCH.

The Company receives payments from CMS under the ACA Cost Sharing Reductions ("CSR") program designed to reduce copayments, deductibles, and coinsurance for lower-income members. There is no risk to the Company as a result of the CSR program. Overpayments from CMS are reported in liability for amounts held under uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company has recorded a payable of \$321,714 and \$0 for the CSR program as of December 31, 2015 and December 31, 2014, respectively.

**19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD-PARTY ADMINISTRATORS**

The Company did not have any direct premiums written or produced by managing general agents or third-party administrators in 2015 and 2014.

**20. FAIR VALUE MEASUREMENT**

The NAIC SAP defines fair value, establishes a framework for measuring fair value, and outlines the disclosure requirements related to fair value measurements. The fair value hierarchy is as follows:

*Level 1*—Quoted (unadjusted) prices for identical assets in active markets.

*Level 2*—Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.);



- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.);
- Inputs that are derived principally from or corroborated by other observable market data.

*Level 3*—Unobservable inputs that cannot be corroborated by observable market data.

The estimated fair values of bonds and short-term investments are based on quoted market prices, where available. The Company obtains one price for each security primarily from a third-party pricing service (“pricing service”), which generally uses quoted prices or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, non-binding broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source, prices reported by its custodian, its investment consultant, and third-party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company’s internal price verification procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in an adjustment in the prices obtained from the pricing service.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

**A. Fair Value**

(1–5) The Company does not have any financial assets that are measured and reported at fair value on the statutory basis statements of admitted assets, liabilities, and capital and surplus at December 31, 2015 and 2014.

**B. Fair Value Combination — Not applicable.**

**C. Aggregate Fair Value Hierarchy**

The aggregate fair value by hierarchy of all financial instruments as of December 31, 2015 and 2014 is presented in the table below:

2015						
Types of Financial Investment	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practical Carrying Value
U.S. government and agency securities	\$ 36,714,393	\$ 36,764,702	\$ 27,531,071	\$ 9,183,323	\$ -	\$ -
State and agency municipal securities	12,027,864	11,766,123	-	12,027,865	-	-
City and county municipal securities	20,088,819	19,679,809	-	20,088,818	-	-
Corporate debt securities (includes commercial paper)	62,799,984	63,065,291	-	62,799,985	-	-
Money-market funds	112,763,837	112,763,837	112,763,837	-	-	-
Total bonds and short-term investments	\$ 244,394,897	\$ 244,039,762	\$ 140,294,908	\$ 104,099,991	\$ -	\$ -
2014						
Types of Financial Investment	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practical Carrying Value
U.S. government and agency securities	\$ 28,463,416	\$ 28,334,186	\$ 20,743,932	\$ 7,719,484	\$ -	\$ -
State and agency municipal securities	12,501,718	12,128,467	-	12,501,718	-	-
City and county municipal securities	20,308,690	19,564,725	-	20,308,690	-	-
Corporate debt securities (includes commercial paper)	62,411,476	62,375,223	-	62,411,476	-	-
Money-market funds	98,980,676	98,980,676	98,980,676	-	-	-
Total bonds and short-term investments	\$ 222,665,976	\$ 221,383,277	\$ 119,724,608	\$ 102,941,368	\$ -	\$ -

Included as Level 1 in U.S. government and agency securities in the fair value hierarchy tables above are U.S. Treasury securities of \$27,531,071 and \$20,743,932 as of December 31, 2015 and December 31, 2014, respectively.

Included as Level 2 in corporate debt securities in the fair value hierarchy tables above are commercial paper investments of \$3,534,479 and \$3,049,531 as of December 31, 2015 and

December 31, 2014, respectively. The commercial paper investments reflected in the tables above are included in short-term investments in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

**D. Not Practicable to Estimate Fair Value** — Not applicable.

## 21. OTHER ITEMS

The ACA mandated that certain PCPs were eligible to receive increased payments for specified primary care services provided to Medicaid eligible individuals. This was to encourage PCPs to serve the Medicaid population for the Medicaid expansion which occurred in 2014. This government mandate was for a two year period effective January 1, 2013 through December 31, 2014.

The ACA required that the MCO's reimburse PCPs at a rate of no less than 100 percent of Medicare fee schedule rates for specified services. The Federal government financed the difference between the state Medicaid fee schedule rate and the corresponding Medicare fee schedule rate ("enhanced rate payment") during calendar year 2014. The state in turn funded the enhanced rate payments to the MCO's as part of an enhanced Medicaid capitation monthly premium or as a lump sum payment of the rate differential, depending on the model selected by each state and approved by CMS.

The state of Michigan has elected to continue the enhanced rate payments to PCPs beyond the government mandated period.

The Company has elected not to submit a bid to the CMS for the Medicare Advantage and Medicare Part D Programs for the 2015 contract year. This required no regulatory approval. As of January 1, 2015, membership and direct premiums written are expected to decrease by 2% and \$76,408,855, respectively, as a result of exiting these product lines. The Company is committed to maintaining adequate operating cash and required capital and surplus levels to fund the run-out operations. In addition, the Company is part of a holding company system which the parent is committed to and has the financial resources for this Company to meet all of its financial obligations. In the event of an immediate and material cash demand, a surplus infusion would be executed to address cash requirements. There are no restrictions which would preclude this from happening in a timely manner.

On June 30, 2015, the NAIC provided clarifying guidance for the reporting of contracts subject to redetermination. The NAIC has concluded that contracts subject to redetermination should be reported as a component of premiums and considerations if in a receivable position in the statutory basis statements of admitted assets, liabilities, and capital and surplus. This change in presentation is effective for year end 2015 and subsequent reporting periods. Prior year balances for Medicare risk adjustment was presented as a component of uncollected premiums in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Prior year balances were not restated to conform to the current year presentation.

- A.** The Company did not encounter any unusual or infrequent items for the years ended December 31, 2015 or 2014.
- B.** The Company has no troubled debt restructurings as of December 31, 2015 or 2014.
- C.** The Company does not have any amounts not recorded in the statutory basis financial statements that represent segregated funds held for others. The Company also does not have any exposures related to forward commitments that are not derivative instruments.
- D.** The Company has not received any business interruption insurance recoveries during 2015 and 2014.
- E.** The Company has no transferrable or non-transferable state tax credits.
- F. Sub-Prime Mortgage-Related Risk Exposure**
  - (1)** The investment policy for the Company limits investments in loan-backed securities, which includes sub-prime issuers. Further, the policy limits investments in private-issuer mortgage securities to 10% of the portfolio, which also includes sub-prime issuers. The exposure to unrealized losses on sub-prime issuers is due to changes in market prices. There are no realized losses due to not receiving anticipated cash flows. The investments covered are rated NAIC rating of 1 or 2.
  - (2)** The Company has no direct exposure through investments in sub-prime mortgage loans.
  - (3)** The Company has no direct exposure through other investments.
  - (4)** The Company has no underwriting exposure to sub-prime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.
- G.** The Company does not have any retained asset accounts for beneficiaries.

H. As of December 31, 2015, the Company is not aware of any possible proceeds of insurance-linked securities.

22. EVENTS SUBSEQUENT

Subsequent events have been evaluated through February 29, 2016, which is the date these statutory basis financial statements were available for issuance.

TYPE I — Recognized Subsequent Events

There are no events subsequent to December 31, 2015, that require recognition and disclosure.

TYPE II — Non-Recognized Subsequent Events

The Company is subject to the annual fee under Section 9010 of the ACA. This annual fee is allocated to individual health insurers based on the ratio of the amount of the entity’s net premiums written during the preceding calendar year to the amount of the health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity’s portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, of the year the fee is due. As of December 31, 2015, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2016, and estimates its portion of the annual health insurance industry fee payable on September 30, 2016 to be \$21,839,117. This amount is reflected in aggregate write-ins for special surplus funds. The Company’s Authorized Control Level RBC (“ACL RBC”) ratio was 319% as of December 31, 2015. Reporting the ACA assessment as a liability as of December 31, 2015 would not have triggered an RBC action level.

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?	YES	
B. ACA fee assessment payable for the upcoming year	\$ 21,839,117	\$ 16,220,130
C. ACA fee assessment paid	20,877,276	13,241,105
D. Premium written subject to ACA 9010 assessment	1,228,113,788	846,799,700
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	95,829,376	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	73,990,259	
G. Authorized Control Level (Five-Year Historical Line 15)	30,000,761	
H. Would reporting the ACA assessment as of December 31, 2015, have triggered an RBC action level (YES/NO)?	NO	

There are no other events subsequent to December 31, 2015 that require disclosure.

23. REINSURANCE

**Reinsurance Agreements** — In the normal course of business, the Company seeks to reduce potential losses that may arise from catastrophic events that cause unfavorable underwriting results by reinsuring certain levels of such risk with affiliated (see Note 10) and other nonaffiliated reinsurers. The Company remains primarily liable as the direct insurer on all risks reinsured.

The Company is subject to the reinsurance provisions for ACA compliant individual policies (see Note 24).

A. Ceded Reinsurance Report

Section 1 — General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes ( ) No (X)

- (2) Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor, or any other person not primarily engaged in the insurance business?

Yes ( )      No (X)

**Section 2 — Ceded Reinsurance Report — Part A**

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( )      No (X)

- (2) Does the reporting entity have any reinsurance agreements in effect that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( )      No (X)

**Section 3 — Ceded Reinsurance Report — Part B**

- (1) What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate.

The Company estimates there should be no aggregate reduction in surplus for termination of all reinsurance agreements as of December 31, 2015.

- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes ( )      No (X)

- B. Uncollectible Reinsurance** — During 2015 and 2014, there were no uncollectible reinsurance recoverables.
- C. Commutation of Ceded Reinsurance** — There was no commutation of reinsurance in 2015 or 2014.
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation** — Not applicable.

**24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION**

- A.** The Company estimates accrued retrospective premium adjustments for its group health insurance business based on mathematical calculations in accordance with contractual terms.
- B.** Estimated accrued retrospective premiums due from the Company are recorded in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as an adjustment to change in reserve for rate credits in the statutory basis statements of operations.
- C.** The Company has Medicare Part D risk-corridor amounts from CMS which are subject to a retrospectively rated feature related to Part D premiums. The Company has estimated accrued retrospective premiums related to certain Part D premiums based on guidelines determined by CMS. The formula is tiered and based on the bid medical loss ratio. The amount of Medicare Part D direct premiums written subject to this retrospectively rated feature was \$0 and \$7,319,709 representing, 0% and 1% of total direct premiums written for 2015 and 2014, respectively.

The Company has risk-adjustment amounts from CMS which are subject to a redetermination feature related to Medicare premiums. The Company has estimated premium adjustments for changes to each member's health scores based on guidelines determined by CMS. The total amount of Medicare direct premiums written for which a portion is subject to redetermination features were \$140,107 and \$76,408,855 representing, 0% and 7% of total direct premiums written for 2015 and 2014, respectively.

The Medicaid business contract with the State of Michigan includes a provision for which a stated percentage of total direct premiums written can be eligible for a performance guarantee payment, based on various quality measures. The total amount of direct premiums written for the Medicaid contract subject to this retrospective rating was \$4,657,042 and \$1,700,737, representing 0.4% and 0.2%, of the Company's total direct premiums written, as of December 31, 2015 and 2014, respectively.

Due to the uncertainty associated with the Expansion population it is subject to a retrospective rating feature. The Company has estimated accrued retrospective premiums due to DCH based on guidelines determined by DCH. The formula is tiered and based on a medical loss ratio. The amount of direct premiums written subject to retrospective rating was \$1,218,792,851 and \$1,008,451,179, representing 99% and 92% of total direct premiums written for 2015 and 2014, respectively.

The Medicaid contract with DCH includes a Blind and Disabled program which is subject to retrospective rating features. The Company estimates accrued retrospective premium adjustments for the program based on the contract with DCH. The amount of net premium income that is subject to the retrospective rating feature is \$1,218,792,851 and \$1,008,451,179, representing 99% and 92% of total direct premiums written as of December 31, 2015 and 2014, respectively.

- D.** The Company is required to maintain specific minimum loss ratios on the comprehensive commercial and Medicare lines of business. The Company's actual medical loss ratios on the comprehensive commercial and Medicare lines of business were in excess of the minimum requirements and, as a result, no minimum medical loss ratio liability was required to be established as of December 31, 2015 and December 31, 2014.

**E. Risk-Sharing Provisions of the Affordable Care Act**

- (1)** The Company has accident and health insurance premiums in 2015 subject to the risk-sharing provisions of the ACA. The Company did not write accident and health premiums in 2014 subject to risk sharing provision of the ACA.

The ACA imposes fees and premium stabilization provisions on health insurance issuers offering comprehensive commercial health insurance. The three premium stabilization programs are commonly referred to as the 3Rs — risk adjustment, reinsurance, and risk corridors.

**Risk Adjustment** — The permanent risk adjustment program, designed to mitigate the potential impact of adverse selection and provide stability for health insurance issuers, applies to all non-grandfathered plans not subject to transitional relief in the individual and small group markets both inside and outside of the insurance exchanges. Premium adjustments pursuant to the risk adjustment program are accounted for as premium subject to redetermination and user fees are accounted for as assessments.

**Reinsurance** — The transitional reinsurance program was designed to protect issuers in the individual market from an expected increase in large claims due to the elimination of preexisting condition limitations. The transitional reinsurance program is effective from 2014 through 2016 and applies to all issuers of major medical commercial products and third-party administrators. Contributions attributable to enrollees in the ACA compliant individual plans, including program administrative costs, are accounted for as ceded premium and payments received are accounted for as ceded benefit recoveries. The portion of the individual contributions earmarked for the U.S. Treasury is accounted for as an assessment. Contributions made for enrollees in fully insured plans other than the ACA compliant individual plans, including program administrative costs and payments to the U.S. Treasury, are treated as assessments.

**Risk Corridors** — The temporary risk corridors program, designed to provide some aggregate protection against variability for issuers in the individual and small group markets during the period 2014 through 2016, applies to Qualified Health Plans in the individual and small group markets both inside and outside of the insurance exchanges. Premium adjustments pursuant to the risk corridors program are accounted for as premium adjustments for retrospectively rated contracts.

(2) The following table presents the current year impact of risk-sharing provisions of the ACA on assets, liabilities and operations.

a. Permanent ACA Risk Adjustment Program		December 31, 2015
Assets		
1. Premium adjustments receivable due to ACA Risk Adjustment	\$	-
Liabilities		
2. Risk adjustment user fees payable for ACA Risk Adjustment		4,462
3. Premium adjustments payable due to ACA Risk Adjustment		4,786,808
Operations (revenue & expense)		
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment		(4,786,808)
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)		4,462
b. Transitional ACA Reinsurance Program		
Assets		
1. Amounts recoverable for claims paid due to ACA Reinsurance	\$	433,924
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Li		58,594
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance		-
Liabilities		
4. Liabilities for contributions payable due to ACA Reinsurance—not reported as ceded premium		48,972
5. Ceded reinsurance premiums payable due to ACA Reinsurance		146,916
6. Liability for amounts held under uninsured plans contributions for ACA Reinsurance		-
Operations (revenue & expense)		
7. Ceded reinsurance premiums due to ACA Reinsurance		146,916
8. Reinsurance recoveries (income statement) due to ACA reinsurance payments or expected payments		492,518
9. ACA Reinsurance contributions—not reported as ceded premium		48,972
c. Temporary ACA Risk Corridors Program		
Assets		
1. Accrued retrospective premium due to ACA Risk Corridors	\$	-
Liabilities		
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors		101,402
Operations (revenue & expense)		
3. Effect of ACA Risk Corridors on net premium income (paid/received)		-
4. Effect of ACA Risk Corridors on change in reserves for rate credits		(101,402)

(3) The Company did not have any prior year ACA risk-sharing provisions for asset and liability balances, along with reasons for adjustments to prior year balances.

	Accrued During the Prior Year on Business Written before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written before December 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium Adjustment Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	A	\$ -	\$ -
2. Premium Adjustment (Payable)	-	-	-	-	-	-	-	-	B	-	-
3. Subtotal ACA Permanent Risk Adjustment Program	-	-	-	-	-	-	-	-		-	-
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	-	-	-	-	-	-	-	-	C	-	-
2. Amounts recoverable for claims unpaid (contra liability)	-	-	-	-	-	-	-	-	D	-	-
3. Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-	E	-	-
4. Liabilities for contributions payable due to ACA Reinsurance—not reported as ceded premium	-	-	-	-	-	-	-	-	F	-	-
5. Ceded reinsurance premiums payable	-	-	-	-	-	-	-	-	G	-	-
6. Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-	H	-	-
7. Subtotal ACA Transitional Reinsurance Program	-	-	-	-	-	-	-	-		-	-
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	I	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	J	-	-
3. Subtotal ACA Risk Corridors Program	-	-	-	-	-	-	-	-		-	-
d. Total for ACA Risk-Sharing Provisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Explanation of Adjustments											

- A. N/A
- B. N/A
- C. N/A
- D. N/A
- E. N/A
- F. N/A
- G. N/A
- H. N/A
- I. N/A
- J. N/A

25. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

Changes in estimates related to the prior year incurred claims are included in total hospital and medical expenses in the current year in the statutory basis statements of operations. The following tables disclose paid claims, incurred claims, and the balance in the claims unpaid, accrued medical incentive pool and bonus amounts, health care receivable and reinsurance recoverables for the years ended December 31, 2015 and 2014:

	2015		
	Current Year Incurred Claims	Prior Years Incurred Claims	Total
Beginning of year claim reserve	\$ -	\$ (121,513,652)	\$ (121,513,652)
Paid claims, net of health care receivable and reinsurance recoveries collected	837,424,269	101,386,556	938,810,825
End of year claim reserve	<u>136,860,387</u>	<u>958,366</u>	<u>137,818,753</u>
Incurred claims excluding the change in health care receivable and reinsurance recoverables as presented below	974,284,656	(19,168,730)	955,115,926
Beginning of year health care receivable and reinsurance recoverables	-	14,283,848	14,283,848
End of year health care receivable and reinsurance recoverables	<u>(8,545,497)</u>	<u>(1,283,976)</u>	<u>(9,829,473)</u>
Total incurred claims	<u>\$ 965,739,159</u>	<u>\$ (6,168,858)</u>	<u>\$ 959,570,301</u>

	2014		
	Current Year Incurred Claims	Prior Years Incurred Claims	Total
Beginning of year claim reserve	\$ -	\$ (116,167,710)	\$ (116,167,710)
Paid claims, net of health care receivables and reinsurance recoveries collected	799,795,143	91,290,673	891,085,816
End of year claim reserve	<u>116,652,254</u>	<u>4,861,398</u>	<u>121,513,652</u>
Incurred claims excluding the change in and reinsurance recoveries collected health care receivables as presented below	916,447,397	(20,015,639)	896,431,758
Beginning of year health care receivables and reinsurance recoveries collected	-	8,486,194	8,486,194
End of year health care receivable and reinsurance recoveries collected	<u>(13,834,709)</u>	<u>(449,139)</u>	<u>(14,283,848)</u>
Total incurred claims	<u>\$ 902,612,688</u>	<u>\$ (11,978,584)</u>	<u>\$ 890,634,104</u>

The liability for claims unpaid, accrued medical incentive pool and bonus amounts, and health care receivable as of December 31, 2014 was \$107,229,804. As of December 31, 2015, \$101,386,556 has been paid for incurred claims attributable to insured events of prior years. Reserves remaining for prior years, net of health care receivable and reinsurance recoverables are now \$958,366, as a result of re-estimation of unpaid claims. Therefore, there has been \$6,168,858 favorable prior year development since December 31, 2014 to December 31, 2015. The primary drivers consist of favorable development as a result of favorable changes in the provision for adverse deviations in experience of \$5,522,431, reinsurance retroactivity of \$1,524,099, provider settlements of \$878,251, and risk share premium of \$685,124, offset by unfavorable development in retroactivity for inpatient, outpatient, physician, and pharmacy claims of \$1,263,847 and change in capitation of \$1,317,969. At December 31, 2014, the Company recorded \$11,978,584 of favorable development related to favorable development of \$6,364,522 in retroactivity for inpatient, outpatient, physician, and pharmacy claims and favorable development as a result of a change in the provision for adverse deviations in experience of \$4,991,188. Original estimates are increased or decreased, as additional information becomes known regarding individual claims, including the medical loss ratio rebate accrual. Included in this favorable development is the impact related to retrospectively rated policies, which also has a corresponding impact on medical loss ratio rebates. As a result of the prior year effects, on a regular basis, the Company adjusts revenue and the corresponding liability and/or receivable related to retrospectively rated policies and the impact of the change is included as a component of change in reserve for rate credits in the statutory basis statements of operations.



The Company incurred claims adjustment expenses of \$46,683,409 and \$43,125,704 in 2015 and 2014, respectively. These costs are included in the management service fees paid by the Company to UHS as a part of its management agreement (see Note 10). The following tables disclose paid CAE, incurred CAE, and the balance in the unpaid claim adjustment expenses reserve for 2015 and 2014:

	2015	2014
Total claims adjustment expenses	\$ 46,683,409	\$ 43,125,704
Less current year unpaid claims adjustment expenses	(1,115,818)	(1,199,880)
Add prior year unpaid claims adjustment expenses	<u>1,199,880</u>	<u>1,038,145</u>
Total claims adjustment expenses paid	<u>\$ 46,767,471</u>	<u>\$ 42,963,969</u>

26. INTERCOMPANY POOLING ARRANGEMENTS

A–G. The Company did not have any intercompany pooling arrangements in 2015 or 2014.

27. STRUCTURED SETTLEMENTS

A–B. The Company did not have structured settlements in 2015 or 2014.

28. HEALTH CARE AND OTHER AMOUNTS RECEIVABLE

A. Pharmacy rebates receivable are recorded when reasonably estimated or billed by the affiliated pharmaceutical benefit manager in accordance with pharmaceutical rebate contract provisions. Information used to support rebates billed to the manufacturer is based on utilization information gathered by the pharmaceutical benefit manager and adjusted for significant changes in pharmaceutical contract provisions.

The Company evaluates admissibility of all pharmacy rebates receivable based on the administration of each underlying pharmaceutical benefit management agreement. The Company has nonadmitted all pharmacy rebates receivable that do not meet the admissibility criteria of SSAP No. 84, *Certain Health Care Receivables and Receivables under Government Insured Plans* (“SSAP No. 84”) from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

For each pharmaceutical management agreement for which a portion of the total pharmacy rebates receivable can be admitted based on the admissibility criteria of SSAP No. 84, the transaction of pharmacy rebate history is summarized as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received within 90 Days of Billing	Actual Rebates Received within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days after Billing
12/31/2015	\$ 2,350,863	\$ -	\$ -	\$ -	\$ -
9/30/2015	2,276,588	1,813,572	1,026,086	-	-
6/30/2015	2,192,800	2,316,520	1,283,360	474,963	-
3/31/2015	1,853,385	1,938,897	909,584	542,391	445,216
12/31/2014	3,621,131	3,642,412	1,927,802	1,208,194	449,125
9/30/2014	3,272,152	3,554,186	1,833,699	1,162,548	471,352
6/30/2014	2,771,591	3,034,473	1,321,097	734,404	970,881
3/31/2014	2,441,005	2,674,423	962,922	1,044,379	642,857
12/31/2013	2,583,626	2,564,094	1,165,288	850,755	514,608
9/30/2013	2,309,547	2,420,424	1,073,410	766,439	549,327
6/30/2013	1,613,138	2,047,050	875,968	682,492	482,080
3/31/2013	1,430,002	1,760,269	590,232	986,225	176,720

Of the amount reported as health care receivable, \$3,064,423 and \$5,373,429 relates to pharmacy rebates receivable as of December 31, 2015 and 2014, respectively. Admitted health care receivable also includes maternity case receivables due from DCH, reclassified from uncollected premiums per the Department. This amount totaled \$3,071,260 and \$3,696,564 as of December 31, 2015 and 2014, respectively. Admitted health care receivables also include claim overpayment receivables of \$549,578 and \$95,723 as of December 31, 2015 and 2014, respectively.

B. The Company does not have any risk-sharing receivables.

29. PARTICIPATING POLICIES

The Company did not have any participating contracts in 2015 or 2014.

30. PREMIUM DEFICIENCY RESERVES

The Company has not recorded any premium deficiency reserves as of December 31, 2015 or 2014. The analysis of premium deficiency reserves was completed as of December 31, 2015 and 2014. The Company did consider anticipated investment income when calculating the premium deficiency reserves.

The following table summarizes the Company's premium deficiency reserves as of December 31, 2015 and 2014:

	2015
1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	12/31/2015
3. Was anticipated investment income utilized in this calculation?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	2014
1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	12/31/2014
3. Was anticipated investment income utilized in this calculation?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

31. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written, the Company has no salvage. As of December 31, 2015 and 2014, the Company had no specific accruals established for outstanding subrogation, as it is considered a component of the actuarial calculations used to develop the estimates of claims unpaid and aggregate health claim reserves.

\* \* \* \* \*

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? .....  
If yes, complete Schedule Y, Parts 1, 1A and 2

Yes [ X ] No [ ]

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? .....

Yes [ X ] No [ ] N/A [ ]

1.3

State Regulating? .....

Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes [ ] No [ X ]

2.2

If yes, date of change: .....

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2013

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

12/31/2013

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

05/04/2015

3.4

By what department or departments?  
Michigan Department of Insurance .....

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? .....

Yes [ ] No [ ] N/A [ X ]

3.6

Have all of the recommendations within the latest financial examination report been complied with? .....

Yes [ ] No [ ] N/A [ X ]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business? .....  
4.12 renewals? .....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business? .....  
4.22 renewals? .....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes [ ] No [ X ]

5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? .....

Yes [ ] No [ X ]

6.2

If yes, give full information: .....

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? .....

Yes [ ] No [ X ]

7.2

If yes,  
7.21 State the percentage of foreign control; .....  
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

0.0 %

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ] No [ X ]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ X ] No [ ]
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC
Optum Bank, Inc.	Salt Lake City, UT	NO	NO	YES	NO

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche LLP, Minneapolis, MN
- 10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [ ] No [ X ]
- 10.2

If the response to 10.1 is yes, provide information related to this exemption:
- 10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation?

Yes [ ] No [ X ]
- 10.4

If the response to 10.3 is yes, provide information related to this exemption:
- 10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [ X ] No [ ] N/A [ ]
- 10.6

If the response to 10.5 is no or n/a, please explain
11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Allen J. Sorbo, Vice president, Corporate Chief Actuary of UnitedHealthGroup, Shelton,CT
- 12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ ] No [ X ]
- 12.11

Name of real estate holding company
- 12.12

Number of parcels involved

0
- 12.13

Total book/adjusted carrying value

\$0
- 12.2

If, yes provide explanation:
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [ ]
- 13.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [ ]
- 13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ] No [ ] N/A [ ]
- 14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [ X ] No [ ]
- (a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c)

Compliance with applicable governmental laws, rules and regulations;
- (d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e)

Accountability for adherence to the code.
- 14.11

If the response to 14.1 is No, please explain:
- 14.2

Has the code of ethics for senior managers been amended?

Yes [ X ] No [ ]
- 14.21

If the response to 14.2 is yes, provide information related to amendment(s).

Minor updates were made to the Code in Q4 2015.
- 14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [ ] No [ X ]
- 14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

## GENERAL INTERROGATORIES

- | 1<br>American Bankers Association (ABA) Routing Number | 2<br>Issuing or Confirming Bank Name | 3<br>Circumstances That Can Trigger the Letter of Credit | 4<br>Amount |
|--|--------------------------------------|--|-------------|
|  |                                      |  |             |

16.	Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? .....	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]
17.	Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? .....	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]
18.	Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? .....	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]

19.	Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? .....		Yes	[   ]	No	[ X ]
20.1	Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):	20.11 To directors or other officers.....	\$	.....		
		20.12 To stockholders not officers.....	\$	.....		
		20.13 Trustees, supreme or grand (Fraternal Only) .....	\$	.....		
20.2	Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):	20.21 To directors or other officers.....	\$	.....		
		20.22 To stockholders not officers.....	\$	.....		
		20.23 Trustees, supreme or grand (Fraternal Only) .....	\$	.....		
21.1	Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? .....		Yes	[   ]	No	[ X ]
21.2	If yes, state the amount thereof at December 31 of the current year:	21.21 Rented from others.....	\$	.....		
		21.22 Borrowed from others.....	\$	.....		
		21.23 Leased from others .....	\$	.....		
		21.24 Other .....	\$	.....		
22.1	Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? .....		Yes	[ X ]	No	[   ]
22.2	If answer is yes:	22.21 Amount paid as losses or risk adjustment	\$	.....		
		22.22 Amount paid as expenses .....	\$	.....21,453,9		
		22.23 Other amounts paid .....	\$	.....		
23.1	Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? .....		Yes	[   ]	No	[ X ]
23.2	If yes, indicate any amounts receivable from parent included in the Page 2 amount: .....		\$	.....		

24.01	Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03).....	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]
24.02	If no, give full and complete information relating thereto .....		
24.03	For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided) not applicable .....		
24.04	Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? .....	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ] N/A [ <input type="checkbox"/> ]
24.05	If answer to 24.04 is yes, report amount of collateral for conforming programs. ....	\$ .....	
24.06	If answer to 24.04 is no, report amount of collateral for other programs. ....	\$ .....	
24.07	Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? .....	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ] N/A [ <input type="checkbox"/> ]
24.08	Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? .....	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ] N/A [ <input type="checkbox"/> ]
24.09	Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? .....	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ] N/A [ <input type="checkbox"/> ]

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE UnitedHealthcare Community Plan, Inc.

GENERAL INTERROGATORIES

24.10 For the reporting entity’s security lending program state the amount of the following as December 31 of the current year:

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	\$	0
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	\$	0
24.103	Total payable for securities lending reported on the liability page.	\$	0

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03).

Yes [ X ] No [ ]

25.2	If yes, state the amount thereof at December 31 of the current year:	25.21 Subject to repurchase agreements	\$	0
		25.22 Subject to reverse repurchase agreements	\$	0
		25.23 Subject to dollar repurchase agreements	\$	0
		25.24 Subject to reverse dollar repurchase agreements	\$	0
		25.25 Placed under option agreements	\$	0
		25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$	0
		25.27 FHLB Capital Stock	\$	0
		25.28 On deposit with states	\$	0
		25.29 On deposit with other regulatory bodies	\$	1,164,503
		25.30 Pledged as collateral - excluding collateral pledged to an FHLB	\$	0
		25.31 Pledged as collateral to FHLB - including assets backing funding agreements	\$	0
		25.32 Other	\$	0

25.3 For category (25.26) provide the following:

1	2	3
Nature of Restriction	Description	Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [ X ]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ] No [ ] N/A [ ]

If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [ X ]

27.2 If yes, state the amount thereof at December 31 of the current year.

\$

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [ X ] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
Northern Trust	50 S. LaSalle, Chicago, IL 60675
Bank of New York Mellon	Global Liquidity Services, 1 Wall St, 14th Floor, New York, NY 10286

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes [ ] No [ X ]

28.04 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository Number(s)	Name	Address
106595	Wellington Management Company, LLP	280 Congress Street, Boston, MA 02210
107038	JPMorgan Investment Management Inc.	245 Park Avenue New York, NY 10167

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE   UnitedHealthcare Community Plan, Inc.

GENERAL INTERROGATORIES

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [    ] No [ ☒ ]

29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
29.2999 - Total		0

29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
		Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund		Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds .....	245,288,405	245,643,541	355,136
30.2 Preferred stocks .....	0	0	0
30.3 Totals	245,288,405	245,643,541	355,136

30.4 Describe the sources or methods utilized in determining the fair values:  
For those securities that had prices in the NAIC SVO ISIS database, those prices were used; for those securities that did not have prices in the NAIC SVO ISIS database, pricing was obtained from HUB which is an external data sources vendor. Hub utilizes various pricing sources. ....

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? ..... Yes [    ] No [ ☒ ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? ..... Yes [    ] No [    ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:  
.....

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? ..... Yes [ ☒ ] No [    ]

32.2 If no, list exceptions:  
.....

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? .....\$ .....0

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid

34.1 Amount of payments for legal expenses, if any? .....\$ .....0

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....\$ .....0

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid



GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ ] No [ X ]

1.2

If yes, indicate premium earned on U.S. business only.

\$ 0

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$ 0

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ 0

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 0

1.62

Total incurred claims

\$ 0

1.63

Number of covered lives

0

All years prior to most current three years:

1.64

Total premium earned

\$ 0

1.65

Total incurred claims

\$ 0

1.66

Number of covered lives

0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ 0

1.72

Total incurred claims

\$ 0

1.73

Number of covered lives

0

All years prior to most current three years:

1.74

Total premium earned

\$ 0

1.75

Total incurred claims

\$ 0

1.76

Number of covered lives

0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

1,234,563,602

1,090,227,566

2.2

Premium Denominator

1,234,563,603

1,090,227,566

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

151,322,789

123,170,202

2.5

Reserve Denominator

151,322,789

123,170,202

2.6

Reserve Ratio (2.4/2.5)

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [ ] No [ X ]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [ X ] No [ ]

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [ ] No [ X ]

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [ X ] No [ ]

5.2

If no, explain:

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$ 300,000

5.32

Medical Only

\$ 300,000

5.33

Medicare Supplement

\$ 0

5.34

Dental & Vision

\$ 0

5.35

Other Limited Benefit Plan

\$ 0

5.36

Other

\$ 0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
Hold harmless clauses in provider agreements and continuation of coverage endorsements in reinsurance agreements.

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [ X ] No [ ]

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

14,331

8.2

Number of providers at end of reporting year

6,469

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [ ] No [ X ]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

\$ 0

9.22

Business with rate guarantees over 36 months

\$ 0

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? ..... Yes [ X ] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses.....\$ .....4,126,720

10.22 Amount actually paid for year bonuses.....\$ .....3,409,699

10.23 Maximum amount payable withholds.....\$ .....78,000

10.24 Amount actually paid for year withholds.....\$ .....34,154

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, ..... Yes [ ] No [ X ]

11.13 An Individual Practice Association (IPA), or, . Yes [ ] No [ X ]

11.14 A Mixed Model (combination of above)? ..... Yes [ ] No [ X ]

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? ..... Yes [ X ] No [ ]

11.3 If yes, show the name of the state requiring such minimum capital and surplus. .... Michigan

11.4 If yes, show the amount required. ....\$ .....60,001,522

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? ..... Yes [ ] No [ X ]

11.6 If the amount is calculated, show the calculation

The Company used the 2015 Risk Based Calculation at the 200% authorized control level.

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Allegan .....
Berrien .....
Branch .....
Calhoun .....
Cass .....
Hillsdale .....
Huron .....
Jackson .....
Kalamazoo .....
Kent .....
Lenawee .....
Livingston .....
Macomb .....
Monroe .....
Muskegon .....
Oakland .....
Oceana .....
Ottawa .....
Saginaw .....
St Clair .....
St Joseph .....
Sanilac .....
Tuscola .....
Van Buren .....
Wayne .....
Washtenaw .....
.....

13.1 Do you act as a custodian for health savings accounts? ..... Yes [ ] No [ X ]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. ....\$ .....0

13.3 Do you act as an administrator for health savings accounts? ..... Yes [ ] No [ X ]

13.4 If yes, please provide the balance of funds administered as of the reporting date. ....\$ .....0

14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? ..... Yes [ ] No [ X ] N/A [ ]

14.2 If the answer to 14.1 is yes, please provide the following:

1  Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other
.....	.....	.....	.....	.....	.....	.....

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded):

15.1 Direct Premium Written .....\$ .....0

15.2 Total Incurred Claims .....\$ .....0

15.3 Number of Covered Lives .....0

*Ordinary Life Insurance Includes
Term(whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary gurarantee)
Universal Life (with or without secondary gurarantee)
Variable Universal Life (with or without secondary gurarantee)

FIVE-YEAR HISTORICAL DATA

	1 2015	2 2014	3 2013	4 2012	5 2011
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28) .....	282,903,712	250,771,901	213,419,518	175,574,273	174,315,586
2. Total liabilities (Page 3, Line 24) .....	187,074,336	146,129,104	137,453,657	104,840,823	106,935,017
3. Statutory minimum capital and surplus requirement .....	60,001,522	59,335,278	67,979,430	62,866,180	62,950,873
4. Total capital and surplus (Page 3, Line 33) .....	95,829,376	104,642,797	75,965,861	70,733,450	67,380,569
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	1,232,166,519	1,090,779,157	897,750,995	875,429,664	890,646,432
6. Total medical and hospital expenses (Line 18) .....	959,570,301	890,634,103	824,364,712	769,157,290	742,634,760
7. Claims adjustment expenses (Line 20) .....	46,683,409	43,125,704	32,698,501	27,790,047	15,793,021
8. Total administrative expenses (Line 21) .....	149,158,637	105,658,285	47,288,233	74,649,991	130,114,068
9. Net underwriting gain (loss) (Line 24) .....	76,754,172	51,361,065	(6,600,451)	3,832,336	2,104,583
10. Net investment gain (loss) (Line 27) .....	2,388,754	1,985,125	1,229,446	1,573,758	1,510,381
11. Total other income (Lines 28 plus 29) .....	0	0	0	(25,000)	0
12. Net income or (loss) (Line 32) .....	44,193,354	30,385,870	(3,177,451)	4,193,022	2,543,445
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11) .....	83,719,332	18,066,896	24,788,114	4,528,545	22,136,260
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital .....	95,829,376	104,642,797	75,965,861	70,733,450	67,380,569
15. Authorized control level risk-based capital .....	30,000,761	29,677,639	27,191,772	25,146,472	25,180,349
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	260,553	260,167	238,202	243,545	246,475
17. Total members months (Column 6, Line 7) .....	3,197,861	3,094,925	2,856,199	2,932,420	2,918,785
<b>Operating Percentage</b> (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	78.2	81.8	91.8	88.0	83.4
20. Cost containment expenses .....	1.8	1.9	1.6	1.5	1.0
21. Other claims adjustment expenses .....	2.0	2.0	2.0	1.7	0.8
22. Total underwriting deductions (Line 23) .....	94.1	95.4	100.7	99.7	99.8
23. Total underwriting gain (loss) (Line 24) .....	6.3	4.7	(0.7)	0.4	0.2
<b>Unpaid Claims Analysis</b> (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	101,060,946	95,889,360	95,088,002	81,711,976	70,488,747
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)] .....	107,229,805	107,867,946	87,248,456	85,912,150	74,044,027
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) .....	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) .....	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) .....	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10) .....	0	0	0	0	0
30. Affiliated mortgage loans on real estate .....	0	0	0	0	0
31. All other affiliated .....	0	0	0	0	0
32. Total of above Lines 26 to 31 .....	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above.	0	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [        ] No [        ]  
If no, please explain: .....

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories										
		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama	AL	N	0	0	0	0	0	0	0
2.	Alaska	AK	N	0	0	0	0	0	0	0
3.	Arizona	AZ	N	0	0	0	0	0	0	0
4.	Arkansas	AR	N	0	0	0	0	0	0	0
5.	California	CA	N	0	0	0	0	0	0	0
6.	Colorado	CO	N	0	0	0	0	0	0	0
7.	Connecticut	CT	N	0	0	0	0	0	0	0
8.	Delaware	DE	N	0	0	0	0	0	0	0
9.	District of Columbia	DC	N	0	0	0	0	0	0	0
10.	Florida	FL	N	0	0	0	0	0	0	0
11.	Georgia	GA	N	0	0	0	0	0	0	0
12.	Hawaii	HI	N	0	0	0	0	0	0	0
13.	Idaho	ID	N	0	0	0	0	0	0	0
14.	Illinois	IL	N	0	0	0	0	0	0	0
15.	Indiana	IN	N	0	0	0	0	0	0	0
16.	Iowa	IA	N	0	0	0	0	0	0	0
17.	Kansas	KS	N	0	0	0	0	0	0	0
18.	Kentucky	KY	N	0	0	0	0	0	0	0
19.	Louisiana	LA	N	0	0	0	0	0	0	0
20.	Maine	ME	N	0	0	0	0	0	0	0
21.	Maryland	MD	N	0	0	0	0	0	0	0
22.	Massachusetts	MA	N	0	0	0	0	0	0	0
23.	Michigan	MI	L	17,809,668	140,107	1,218,792,851	0	0	1,236,742,626	0
24.	Minnesota	MN	N	0	0	0	0	0	0	0
25.	Mississippi	MS	N	0	0	0	0	0	0	0
26.	Missouri	MO	N	0	0	0	0	0	0	0
27.	Montana	MT	N	0	0	0	0	0	0	0
28.	Nebraska	NE	N	0	0	0	0	0	0	0
29.	Nevada	NV	N	0	0	0	0	0	0	0
30.	New Hampshire	NH	N	0	0	0	0	0	0	0
31.	New Jersey	NJ	N	0	0	0	0	0	0	0
32.	New Mexico	NM	N	0	0	0	0	0	0	0
33.	New York	NY	N	0	0	0	0	0	0	0
34.	North Carolina	NC	N	0	0	0	0	0	0	0
35.	North Dakota	ND	N	0	0	0	0	0	0	0
36.	Ohio	OH	N	0	0	0	0	0	0	0
37.	Oklahoma	OK	N	0	0	0	0	0	0	0
38.	Oregon	OR	N	0	0	0	0	0	0	0
39.	Pennsylvania	PA	N	0	0	0	0	0	0	0
40.	Rhode Island	RI	N	0	0	0	0	0	0	0
41.	South Carolina	SC	N	0	0	0	0	0	0	0
42.	South Dakota	SD	N	0	0	0	0	0	0	0
43.	Tennessee	TN	N	0	0	0	0	0	0	0
44.	Texas	TX	N	0	0	0	0	0	0	0
45.	Utah	UT	N	0	0	0	0	0	0	0
46.	Vermont	VT	N	0	0	0	0	0	0	0
47.	Virginia	VA	N	0	0	0	0	0	0	0
48.	Washington	WA	N	0	0	0	0	0	0	0
49.	West Virginia	WV	N	0	0	0	0	0	0	0
50.	Wisconsin	WI	N	0	0	0	0	0	0	0
51.	Wyoming	WY	N	0	0	0	0	0	0	0
52.	American Samoa	AS	N	0	0	0	0	0	0	0
53.	Guam	GU	N	0	0	0	0	0	0	0
54.	Puerto Rico	PR	N	0	0	0	0	0	0	0
55.	U.S. Virgin Islands	VI	N	0	0	0	0	0	0	0
56.	Northern Mariana Islands	MP	N	0	0	0	0	0	0	0
57.	Canada	CAN	N	0	0	0	0	0	0	0
58.	Aggregate other alien	OT	XXX	0	0	0	0	0	0	0
59.	Subtotal	XXX	17,809,668	140,107	1,218,792,851	0	0	0	1,236,742,626	0
60.	Reporting entity contributions for Employee Benefit Plans	XXX	0	0	0	0	0	0	0	0
61.	Total (Direct Business)	(a) 1	17,809,668	140,107	1,218,792,851	0	0	0	1,236,742,626	0
DETAILS OF WRITE-INS										
58001.		XXX								
58002.		XXX								
58003.		XXX								
58998.	Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
58999.	Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)	XXX	0	0	0	0	0	0	0	0

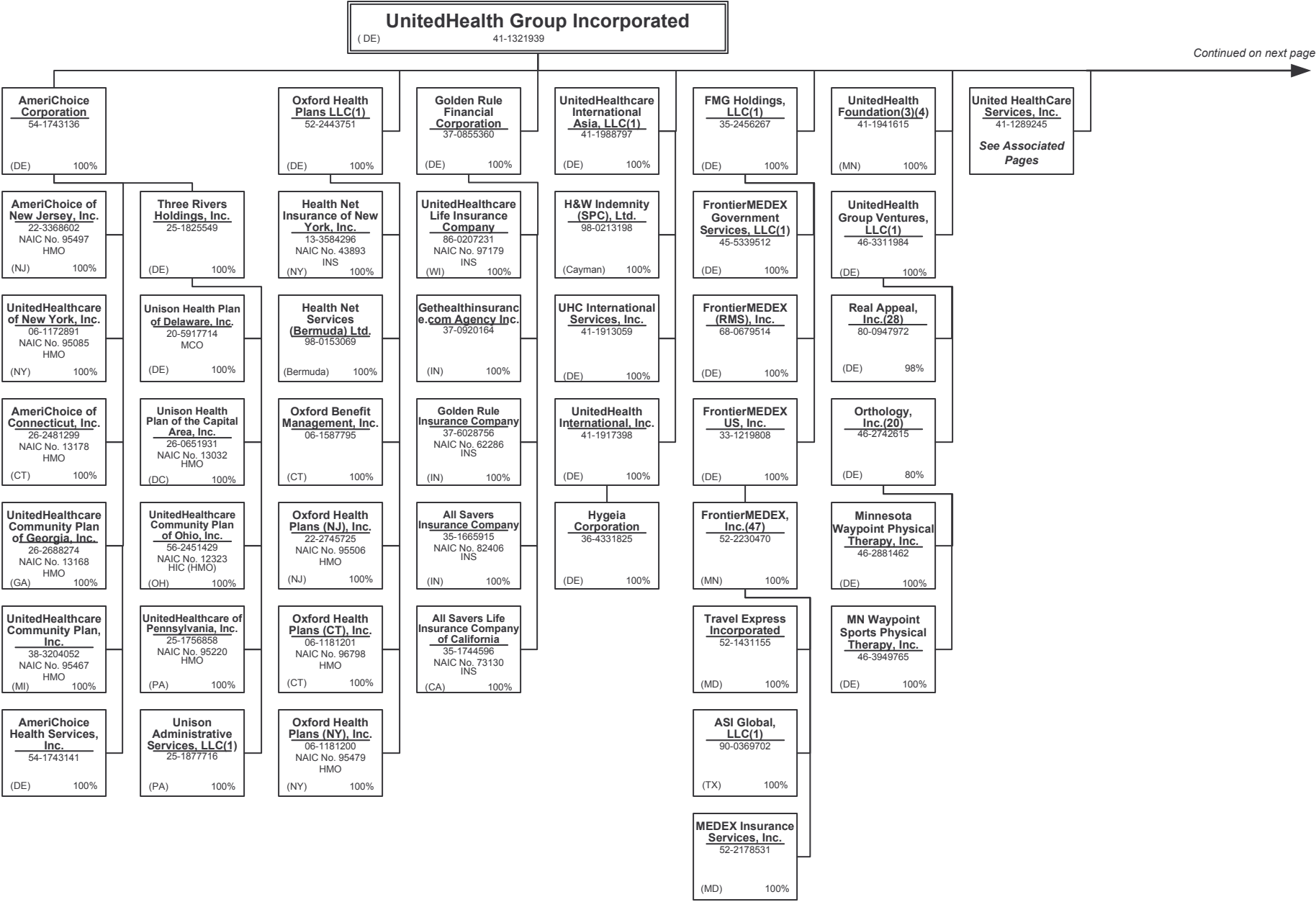
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

Premiums allocated by state based upon Geographic Market.

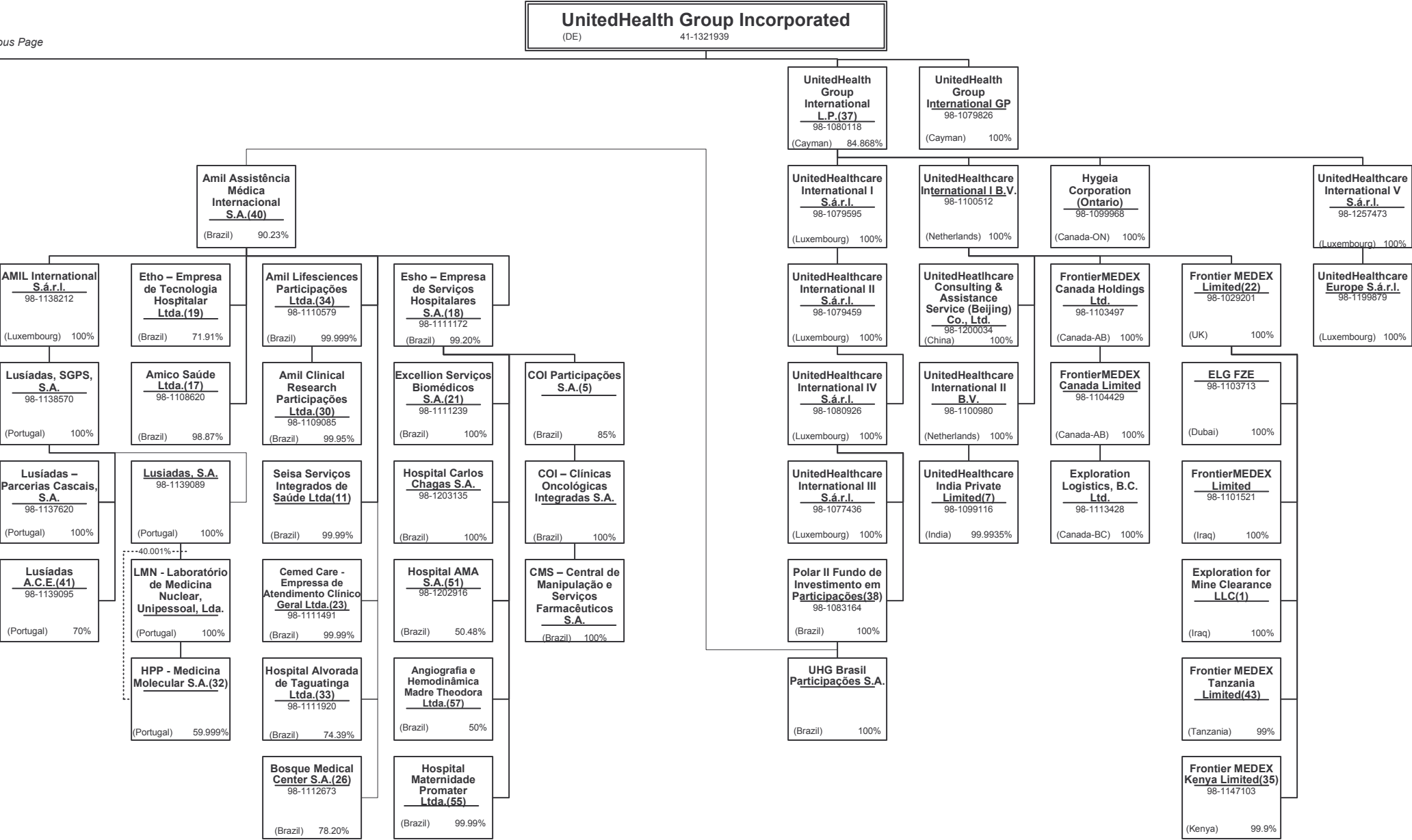
(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART

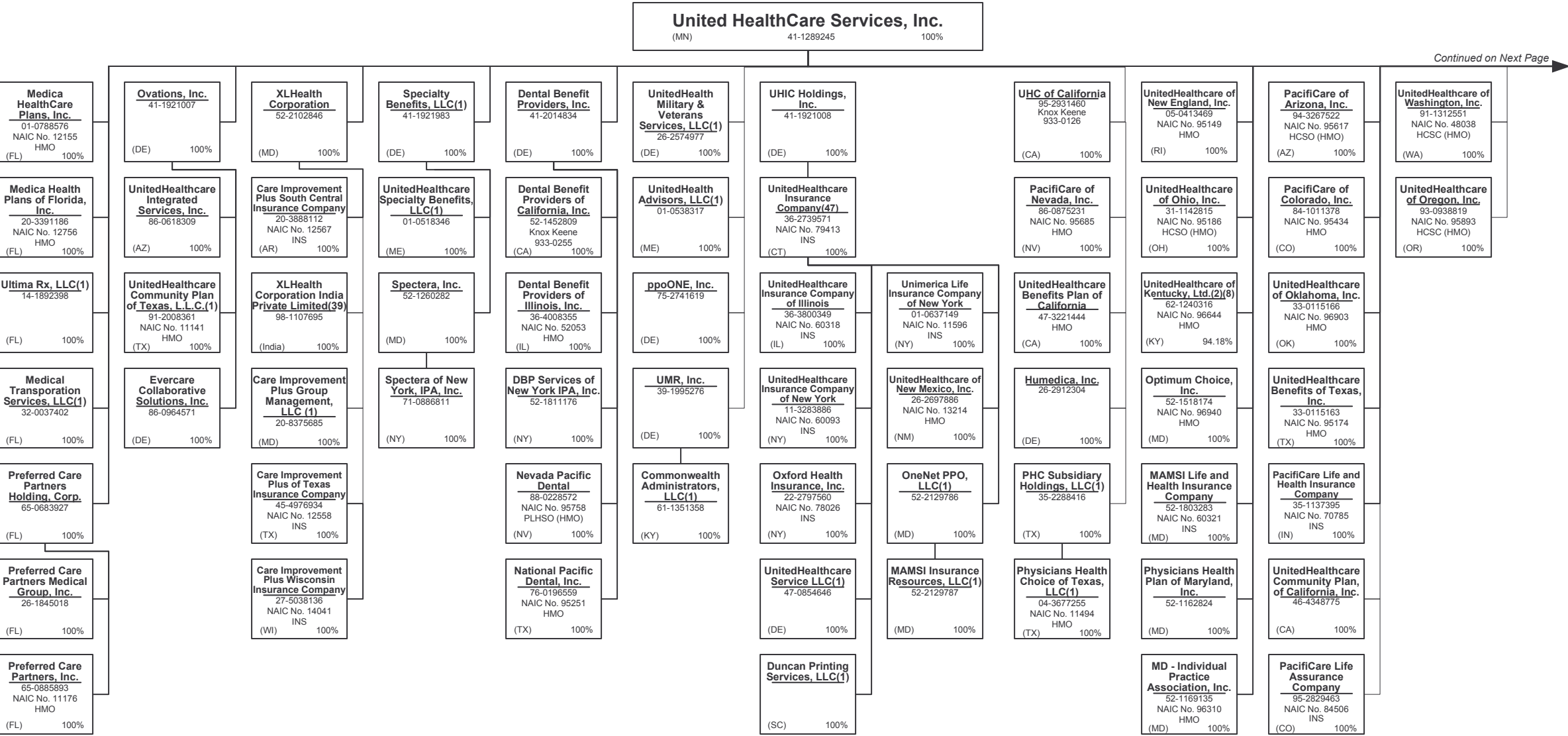


SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART

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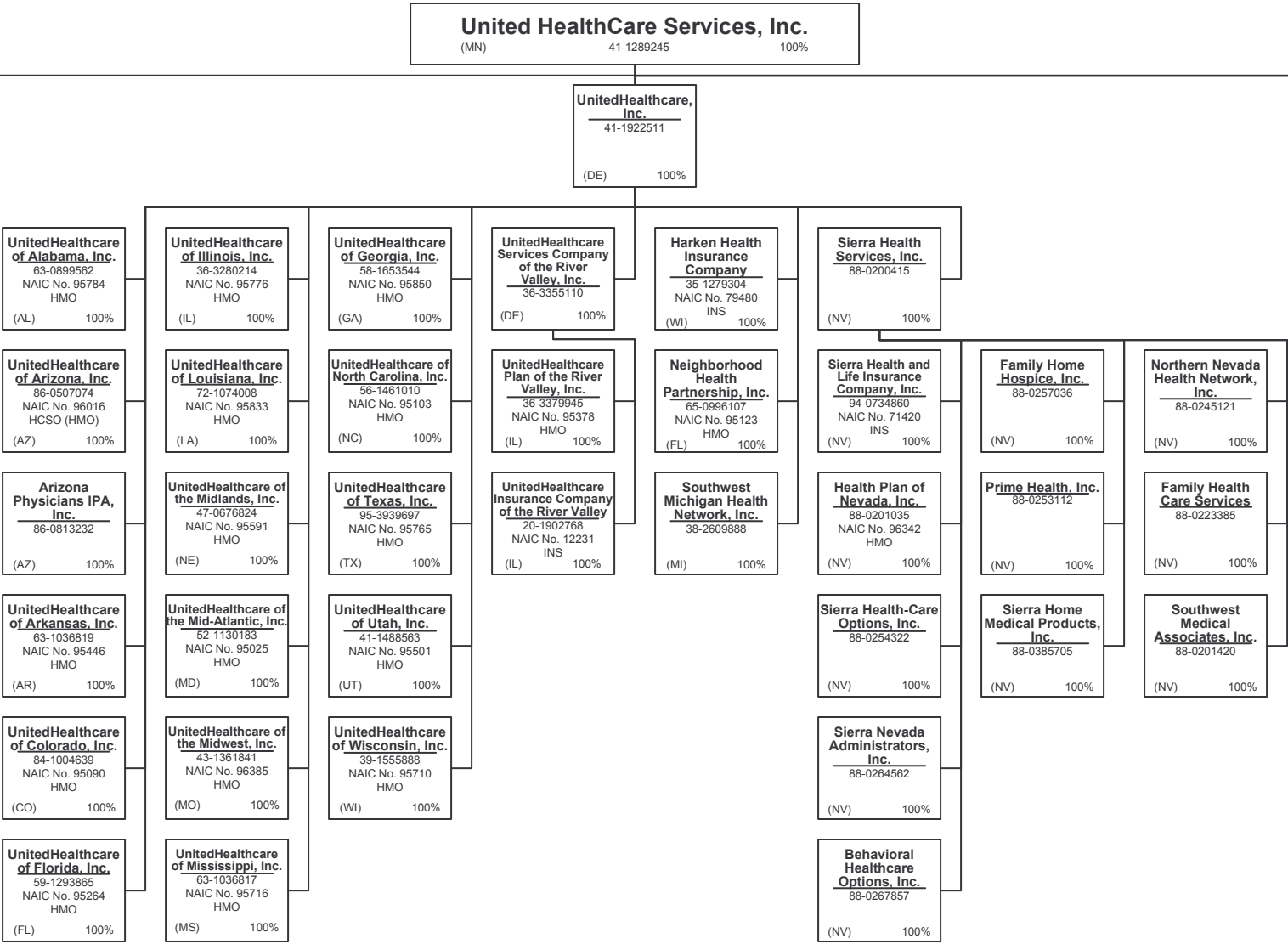
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART



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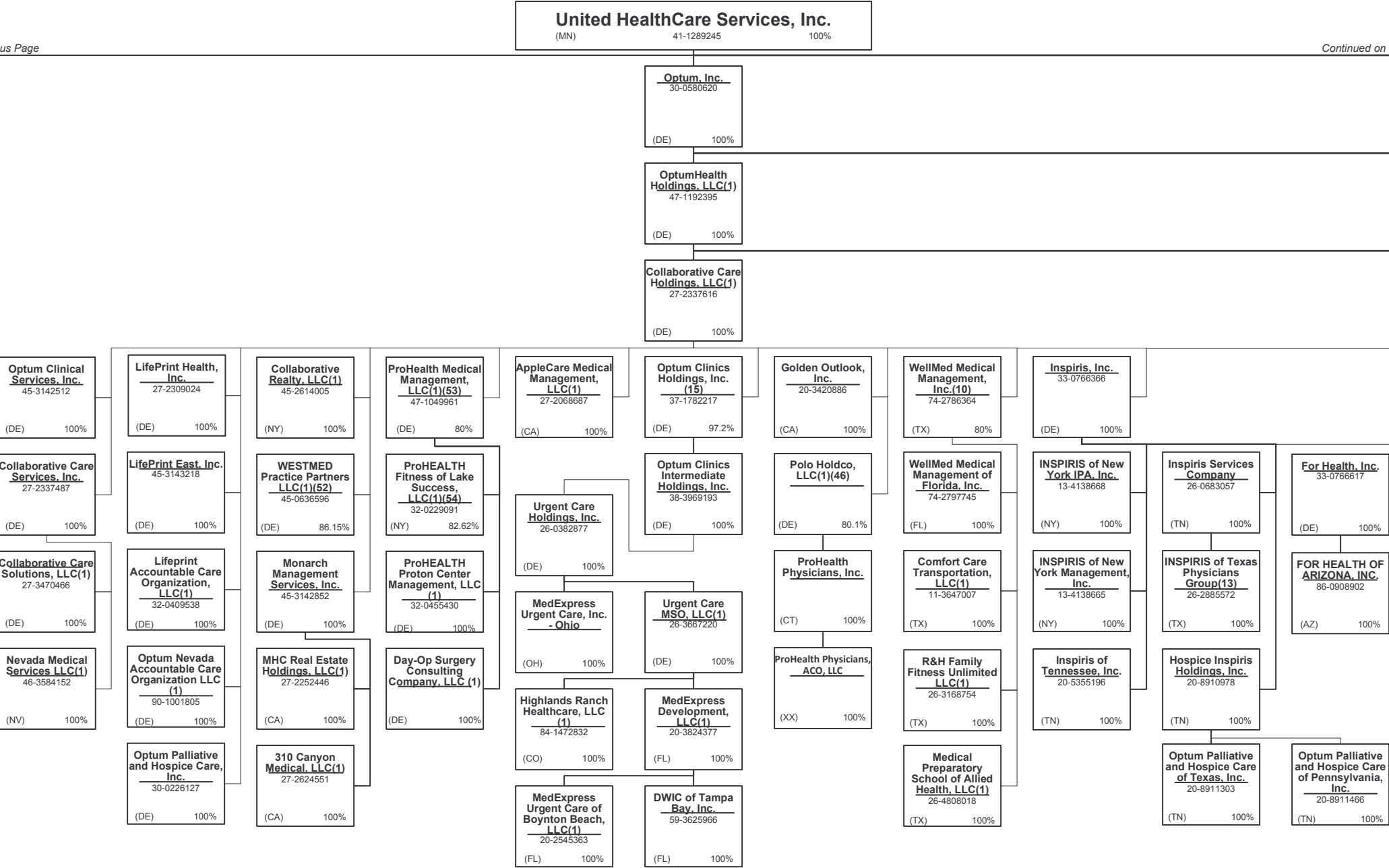
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PART 1 – ORGANIZATIONAL CHART



**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 – ORGANIZATIONAL CHART**



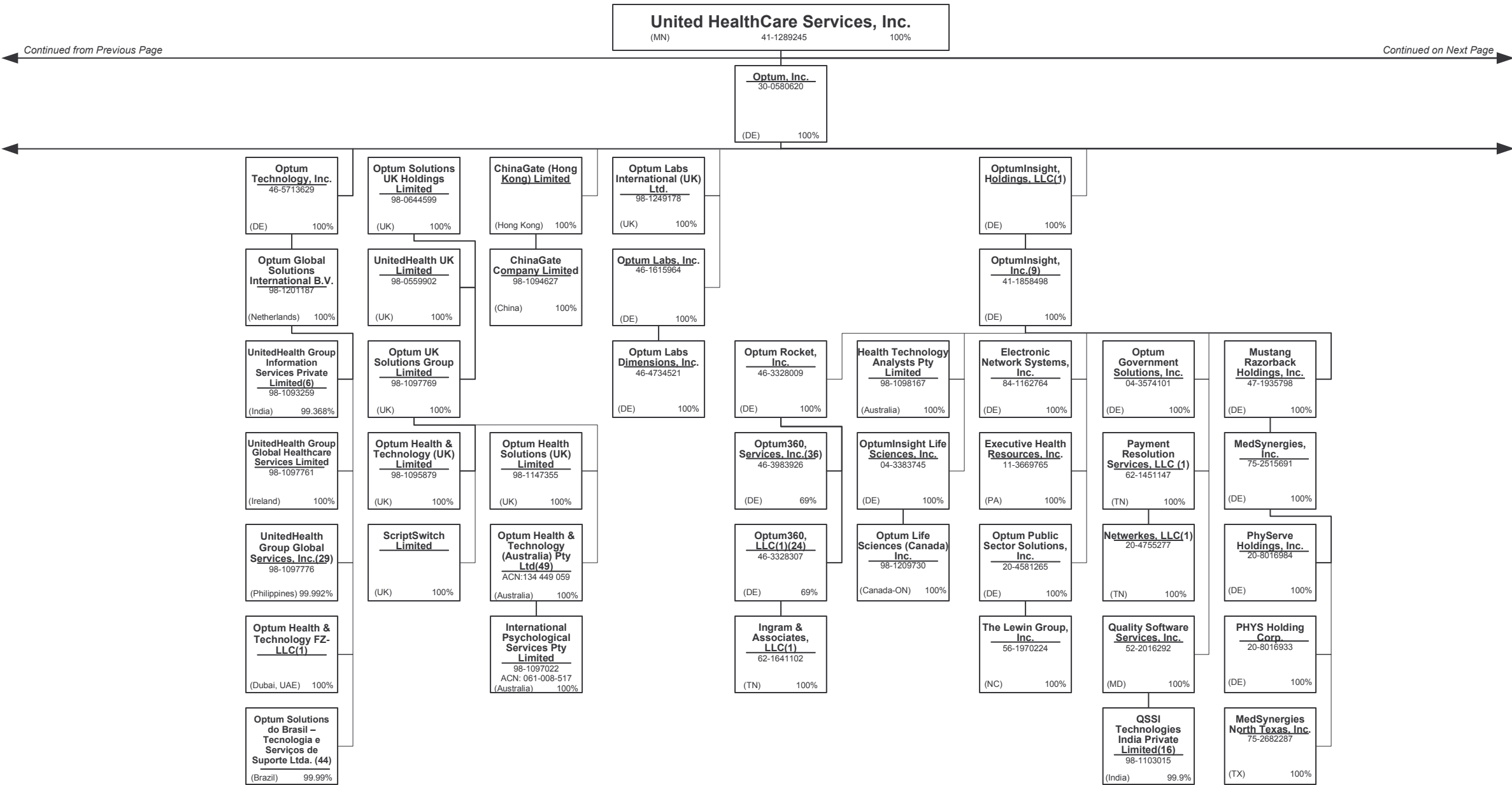
ANNUAL STATEMENT FOR THE YEAR 2015 OF THE UnitedHealthcare Community Plan, Inc.

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

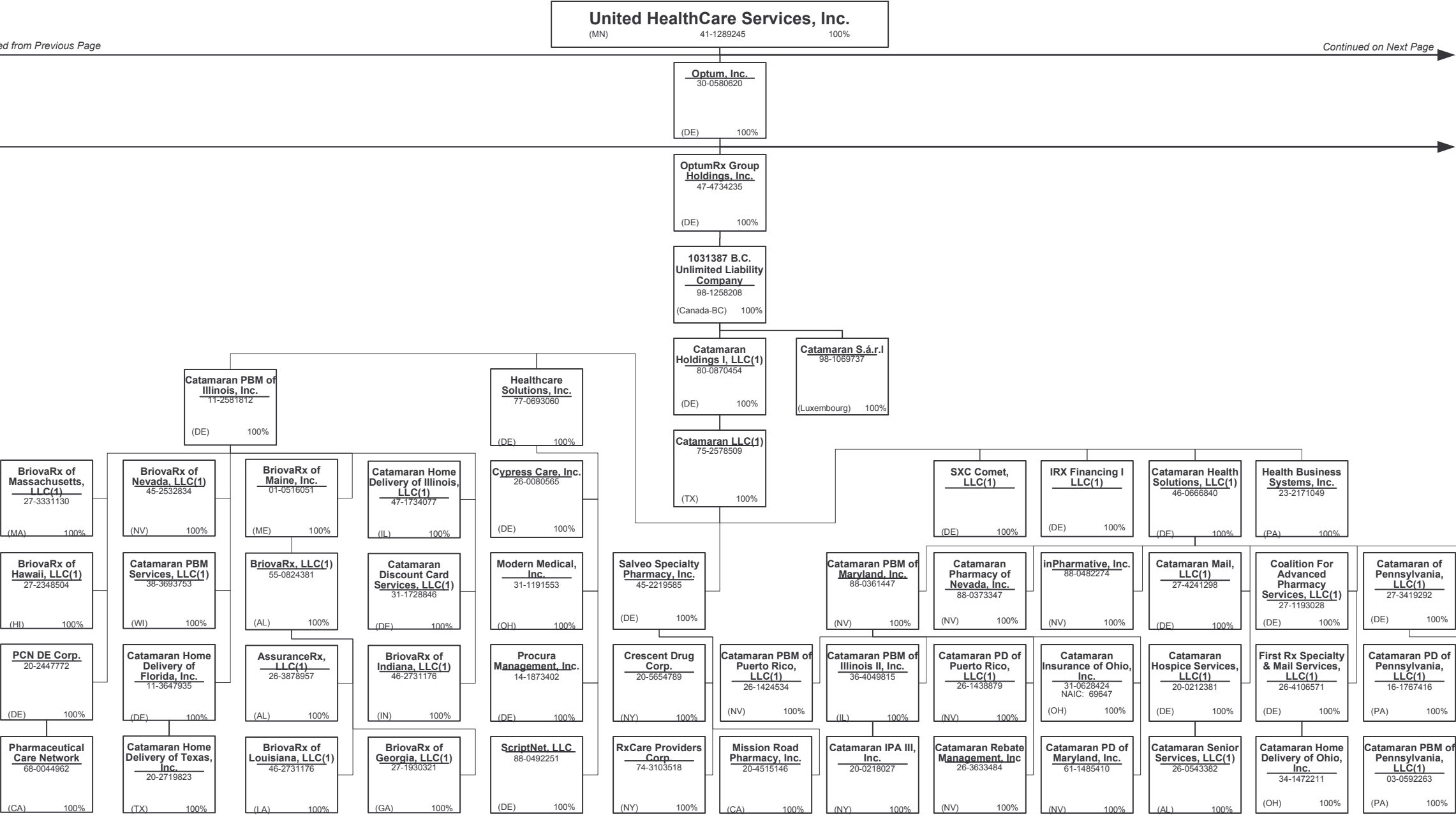
**PART 1 – ORGANIZATIONAL CHART**



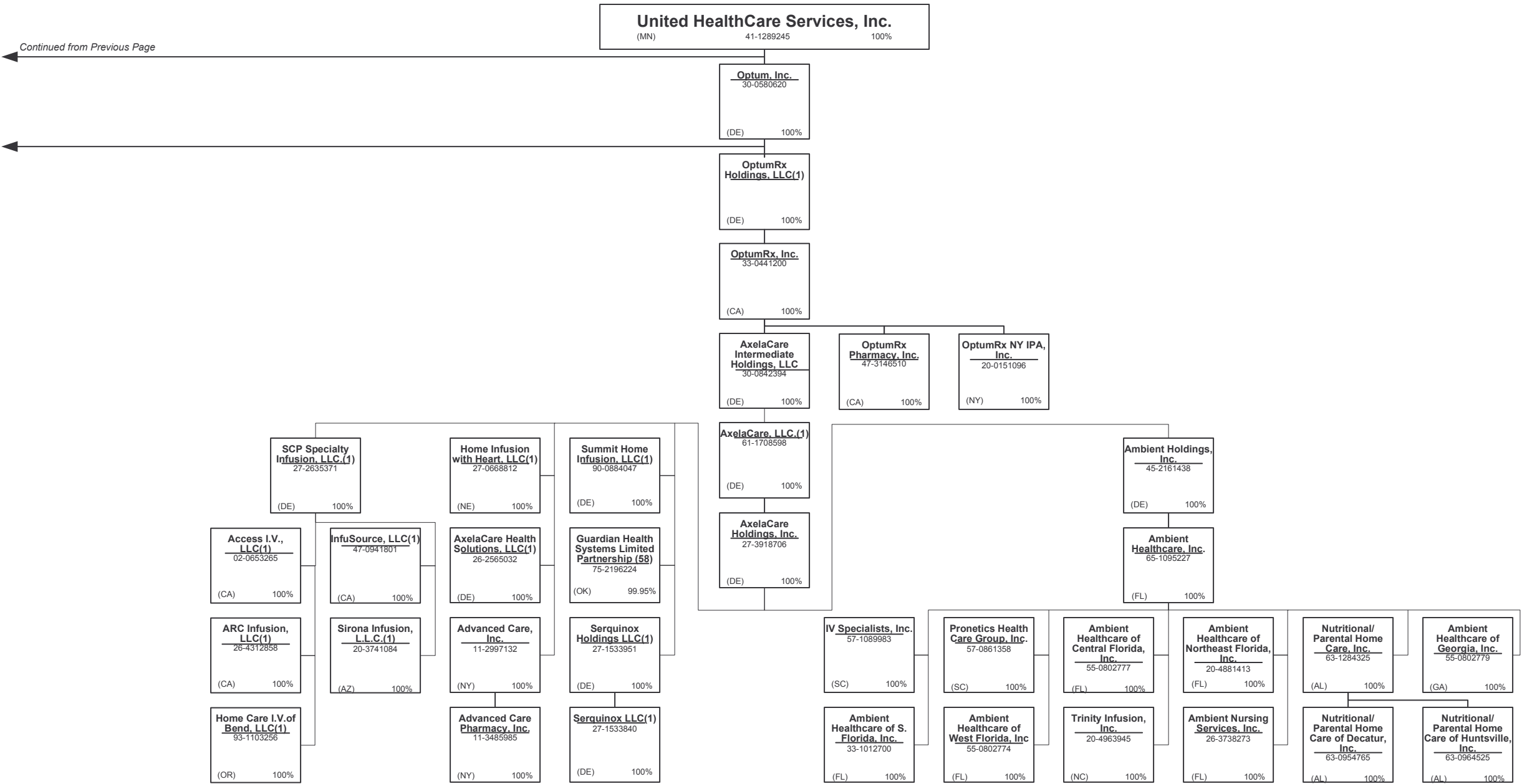
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART



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SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART



SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART

Notes

All legal entities on the Organization Chart are Corporations unless otherwise indicated.	(20) Orthology, Inc. is 80% owned by UnitedHealth Group Ventures, LLC and 20% owned by external shareholders.
(1) Entity is a Limited Liability Company	(21) Excellion Serviços Biomédicos S.A.is 100% owned by Esho – Empresa de Serviços Hospitalares S.A
(2) Entity is a Partnership	(22) Branch offices in Iraq and Uganda.
(3) Entity is a Non-Profit Corporation	(23) Cemed Care Empresa de Atendimento Clínico Geral Ltda. Is 99.999999% owned by Amil Assistência Médica Internacional S.A. and 0.000001% owned by Amico Saúde Ltda.
(4) Control of the Foundation is based on sole membership, not the ownership of voting securities	(24) Optum 360, LLC is 69% owned by Optum Rocket, Inc; the remaining 31% is owned by external holders.
(5) COI Participações S.A. is 85% owned by Etho – Empresa de Tecnologia Hospitalar Ltda and 15% owned by COIPAR Participações S.A.	(25) Optum Health & Technology Serviços do Brasil Ltda. is 99.9961% owned byOptumHealth International B.V. and .0039% owned by OptumInsight, Inc.
(6) UnitedHealth Group Information Services Private Limited is 99.368% owned by Optum Global Solutions International B.V. The remaining 0.632% is owned by UnitedHealth International, Inc.	(26) Bosque Medical Center S.A. is 78.2049803% owned by Amil Assistência Médica Internacional S.A.and 21.7950197% owned by Etsho – Empresa de Servicos Hospitalarea S.A.
(7) UnitedHealthcare India Private Limited is 99.9935% owned by UnitedHealthcare International II B.V. and 0.0065% owned by UnitedHealth International, Inc.	(27) AHJV, Inc. is 75% owned by NAMD Holdings, Inc. and 25% owned by Humana, Inc.
(8) General partnership interests are held by United HealthCare Services, Inc. (89.77%) and by UnitedHealthcare, Inc. (10.23%). United HealthCare Services, Inc. also holds 100% of the limited partnership interests. When combining general and limited partner interests, United HealthCare Services, Inc. owns 94.18% and UnitedHealthcare, Inc. owns 5.83%.	(28) Real Appeal, Inc. is majority-owned by UHG or one of its affiliates and the remaining 2% is owned by Real Appeal Management.
(9) Branch office located in Abu Dhabi, UAE.	(29) UnitedHealth Group Global Services, Inc. is 99.992% owned by Optum Global Solutions International B.V., and the remaining 0.008% is held by the company's directors.
(10) WellMed Medical Management, Inc. is 80% owned by Collaborative Care Holdings, LLC and 20% owned by WMG Healthcare Partners, L.P.	(30) Amil Clinical Research Participações Ltda. is 99.95% owned by Amil Lifesciences Participações Ltda. and 0.05% owned by Cemed Care – Empresa de Atendimento Clinico Geral Ltda.
(11) Seisa Serviços Integrados de Saúde Ltda is 99.99% owned by Amil Assistência Médica Internacional S.A. and 0.000008% owned by Cemed Care – Empresa de Atendimento Clinico Geral Ltda.	(31) Imed Star Serviços de Desempenho Organizacional Ltda.is 99.99998% owned by Optum Health & Technology Serviços do Brasil Ltda and 0.00002% owned by UHG Brasil Participações S.A.
(12) Optum Health & Technology (India) Private Limited is 99.996% owned by OptumHealth International B.V. and 0.004 % owned by United Behavioral Health.	(32) HPP – Medicina Molecular, S.A. is 59.99852% owned by LMN - Laboratórios de Medicina Nuclear, Unipessoal, Lda. And 40.00148% owned by Lusíadas, S.A. and 5% by an officer of Amil.
(13) INSPIRIS of Texas Physicians Group is a Texas non-profit (taxable) whose sole member is Inspiris Services Company.	(33) Hospital Alvorada Taguatinga Ltda.is 74.39679% owned by Amil Assistência Médica Internacional S.A, 25.60321% by Bosque Medical Center S.A.
(14) PrimeCare of Citrus Valley, Inc. is 80% owned by PrimeCare Medical Network, Inc. and 20% owned by Citrus Valley Medical Associates, Inc.	(34) Amil Lifesciences Participações Ltda. Is 99.99966% owned by Amil Assistência Médica Internacional S.A and 0.00034% owned by Cemed Care Empresa de Atendimento Clinico Geral Ltda.
(15) Optum Clinics Holdings, Inc. is 97.2% owned by Collaborative Care Holdings, LLC and 2.8% is owned by external shareholders.	(35) Frontier MEDEX Kenya Limited is 99.9% owned by FrontierMEDEX Limited and 0.1% owned by UnitedHealthcare International I B.V.
(16) QSSI Technologies India Private Limited is 99.9% owned by Quality Software Services, Inc. and 0.1% owned by an Indian citizen.	(36) Optum360 Services, Inc. is 69% owned by Optum Rocket, Inc.; and the remaining 31% is owned by external shareholders.
(17) Amico Saúde Ltda. is 98.87947% owned by Amil Assistência Médica Internacional S.A. and 0.1.12053% owned by Cemed Care – Empresa de Atendimento Clinico Geral Ltda.	(37) The limited partners of UnitedHealth Group International, L.P. include FMG Holdings, LLC (14.8145%), Hygeia Corporation (DE) (0.2012%) and UnitedHealth Group Incorporated (84.9843%). UnitedHealth Group International GP is the general partner of UnitedHealth Group International, L.P.
(18) Esho – Empresa de Serviços Hospitalares S.A. is 99.206059% owned by Amil Assistência Médica Internacional S.A.; 0.034900% owned by Treasury Shares and .759041% owned by external shareholders.	
(19) Etho – Empresa de Tecnologia Hospitalar Ltda. 71.91% owned by Amil Assistência Médica Internacional S.A.and 28.08% owned by an external shareholder.	

Important note: Under Federal Exchange regulations, any change in ownership of a QHP (Qualified Health Plan) issuer or any of its parent entities requires advance notice to HHS. Please contact LCRA Corporate Governance for detail

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART

Notes

- (38) Polar II Fundo de Investimento em Participações is a Brazilian private equity investment fund incorporated in the form of a closed-end condominium.
- (39) XLHealth Corporation India Private Limited is 99.999% held by XLHealth Corporation and 0.001% is held by an officer of the Corporation.
- (40) Amil Assistência Médica Internacional S.A. is 90.23% owned by Polar II Fundo de Investimento em Participações and the remaining 9.77% is owned by the former controlling shareholders of Amil Assistência Médica Internacional S.A.
- (41) Lusíadas A.C.E. is 70% owned by Lusíadas, SGPS, S.A., 10% owned by Lusíadas – Parcerias Cascais, S.A., and 20% owned by Lusiadas, S.A.
- (42) TBD
- (43) Frontier MEDEX Tanzania Limited is 99% owned by Frontier MEDEX Limited. The remaining 1% is owned by a former officer of Frontier MEDEX Limited and is being transferred to UnitedHealthcare International I BV.
- (44) Optum Solutions do Brasil – Tecnologia e Serviços de Suporte Ltda., is 99.999996% owned by Optum Global Solutions International B.V.and 0.000004% owned by OptumHealth International B.V.
- (45) TBD
- (46) Polo Holdco, LLC is 80.1% owned by Collaborative Care Holdings, LLC and the remaining 19.9% being owned by an outside third party.
- (47) Representative office in Beijing, China.
- (48) The remaining 26% is owned by internal and external investors.
- (49) Branch office located in Hong Kong.
- (50) Dental Center Serviços Odontológicos Ltda. is 100% owned by Seisa Servicos Integrados de Saúde Ltda.
- (51) Hospital AMA S.A. is 50.48% owned by Esho – Empresa de Serviços Hospitalares S.A. and 49.52% owned by Seisa Serviços Integrados de Saúde Ltda.
- (52) WESTMED Practice Partners LLC is 86.15% owned by Collaborative Care Holdings, LLC and 13.85% owned by external shareholders.
- (53) ProHealth Medical Management, LLC is 80% owned by Collaborative Care Holdings, LLC and 20% owned by an external shareholder.
- (54) PROHEALTH FITNESS OF LAKE SUCCESS, LLC IS 82.62% owned by ProHealth Medical Management, LLC and 17.38% by an external shareholder.
- (55) Hospital Maternidade Promater Ltda is 99.99% owned by Esho – Empresa de Servicos Hospitalares S.A. and 0.00006% owned by Seisa Serviços Integrados de Saúde Ltda.
- (56) Hospital Geral e Maternidade Madre Maria Theodora Ltda. is 99.9999% owned by Esho – Empresa de Serviços Hospitalares S.A. and 0.00001% owned by Cemed Care Empresa de Atendimento Clínico Geral Ltda.
- (57) Angiografia e Hemodinâmica Madre Theodora Ltda. Is 50% owned by Esho – Empresa de Servicos Hospitalares S.A. and 50% owned by 28 individual partners.
- (58) Guardian Health Systems Limited Partnership is 99.95% owned by AxelaCare Holdings, Inc. with the remaining 0.05% interest as a limited partner being held by AxelaCare Health Solutions, LLC.

Important note: Under Federal Exchange regulations, any change in ownership of a QHP (Qualified Health Plan) issuer or any of its parent entities requires advance notice to HHS. Please contact LCRA Corporate Governance for detail



OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 25

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
2504. Miscellaneous Losses .....	5,439	5,913	347,357	0	358,709
2505. Professional Fees\Consulting .....	117,674	127,926	211,094	0	456,694
2506. Sundry General Expenses .....	703,791	765,109	1,264,519	0	2,733,419
2597. Summary of remaining write-ins for Line 25 from overflow page	826,904	898,948	1,822,970	0	3,548,822

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

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Assets ..... 2

Cash Flow ..... 6

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Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates ..... 23

Exhibit 7 - Part 1 - Summary of Transactions With Providers ..... 24

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